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From plumbing to storefront: how “payments” is changing for airlines

Foreword

Edgar, Dunn & Company (EDC), founded in 1978, is a global payments strategy consultancy with clients across 35-45 markets globally on yearly basis.

EDC's Travel Payments Practice was set up in 2002 to address the complex payment challenges within the travel ecosystem.

Our work spans the entire travel payments ecosystem, giving us an independent and comprehensive view of market dynamics.

We advise travel merchants such as airlines, hotels, OTAs, and also support payment providers, processors, and fintech companies serving the travel industry. This unique positioning across both sides of the travel payments market enables us to deliver unbiased insights and identify opportunities that single-sided perspectives miss.

The insights and recommendations presented in this report are grounded in years of project work and real-world implementations across the travel sector.

Our travel payments team is available to support your organisation seeking strategic guidance in this evolving landscape.



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Since the establishment of EDC's Travel Payments consulting practice, more than 20 years ago, we have seen how the perception of "payments" among airlines have evolved from a standalone, finance topic to a cross-department, strategic topic. Therefore, we firmly believe that the topic of "payments" deserves the attention of airlines' C-level executives, due to three main reasons:

- First, payments impact both sides of an airline's Profit & Loss statement: not only the cost side but also the revenue side. In other words, they are a profitability driver that should be managed proactively, just like other key profitability drivers.
- Second, payments are changing fast (e.g., customer needs, new payment technologies, new payment regulations, new payment providers and business models) and therefore, require continuous monitoring and fine-tuning over time.
- Third, the good news is that payments can be managed. There are plenty of levers and initiatives that airlines can leverage in order to optimise payments.

EDC has actively contributed to raising awareness of the importance of "payments" across the airline industry. We hope this white paper will support and enhance this undertaking and be helpful to both airlines and providers of payment services that serve them.

The travel sector is experiencing significant changes both in terms of distribution and payments. Airlines need to be aware of these changes and understand the different levels of consequences.

These changes have in-depth impacts regarding the internal organisation and processes of airlines as well as sales channels, tech stack and payment providers they work with.

EDC's significant experience working closely with airlines across the globe, EDC has identified 7 key pain points airlines face on a regular basis. This is based on actual projects when EDC assisted airlines and it reflects concrete examples of EDC's strong added-value in the travel and airline industry.

As mentioned during IATA's General Assembly, payment needs to become a top priority for airlines and a holistic approach regarding payment will positively contribute to airlines' business. We hope you will find our analysis relevant and we would welcome the opportunity to discuss directly with you – do not hesitate to contact us!

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Executive summary

In the past, payments operated like plumbing, hidden in the background and only noticed when they failed. For many merchants including airlines, they were viewed purely as a cost. Today, payments are becoming an integral part of the storefront, attracting customers, influencing their experience, and driving sales. In other words, payments are not just an expense, but also a key revenue driver to create new customer journeys.

On the cost side, payments in the airline industry has been an overlooked cost driver. Yet, it represents approximately 2.2% of airlines' revenues — amounting to $22 billion globally as evidenced by a 2023 study led by Edgar, Dunn & Company for IATA. Our consulting experience shows airlines can achieve 10-20% cost savings through strategic acquiring optimisation and data-driven negotiation approaches.

On the revenue side, payments have been even more overlooked. Some airlines do not even maximise their market reach via the acceptance of local payment methods or instalment payments, or suffer from low conversions due to below-par payment processes.

With a dedicated Travel Payment practice since 2002 as part of its global payments consulting services, Edgar, Dunn & Company (EDC) has over two decades of experience working with travel-related actors, and more specifically with airlines — ranging from global carriers to regional airlines — as well as with airline industry stakeholders such as IATA or UATP. Based on these consulting engagements across all regions globally, we have identified seven payment issues affecting the airline industry. The seven issues (shown in the table overleaf) are key pain points or emerging needs that must be addressed by airlines.



These seven payment issues have been organised around four themes:

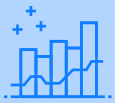
A **Payment acceptance**

B **Payment Issuing**

C **Managing (internal organisation)**

D **Processing ("technology & processes") payments.**

This classification is particularly relevant because payments impact multiple business units within airlines – ranging from digital / e-commerce, distribution, IT, marketing to finance and revenue accounting. While organisational structures vary across airlines, clearly defining ownership of payment responsibilities is crucial.

A. Payment Acceptance		B. Payment Issuing	C. Internal Organisation	D. Technology & Processes		
Issue 1	**Issue 2**	**Issue 3**	**Issue 4**	**Issue 5**	**Issue 6**	**Issue 7**
						
Enhancing Airlines' Payment Acceptance Performance	**Optimisation of Acquiring Contracts**	**Untapped Issuing Opportunities**	**Payment Governance Matters**	**Navigating Payment Infrastructure Complexity**	**Payment Data Management**	**Innovation & Future of Payment Processes**
• High acceptance costs due to unclear payment acceptance policy (direct and indirect channels) • Missing revenue opportunities from alternative payment methods (e.g., domestic card networks) • Lower approval rates compared to industry benchmarks	• No regular and detailed review of acquiring contracts • Lack of optimal pricing model (e.g., IC++ vs. Blended) • Non-competitive fees compared to industry benchmarks (e.g., FX mark-up) • Disadvantages caused by the lack of clear vendor strategy	• Limited issuing offering to match the requirements from different audiences (e.g., consumer, corporates, agents) • No integration between loyalty and payment products • Lack of optimal issuing model to increase revenue and reduce costs	• Fragmented payment responsibilities across internal organisation • Missing collaboration between functions/ teams • Limited payment expertise • No centralised payment strategy and performance monitoring (e.g., KPIs definition)	• Complex technical integration set-up with payment vendors • No clear infrastructure strategy definition (e.g., key objectives) • Lack of cost/revenue assessment of in-house vs. outsource payment technology (e.g., gateway, orchestration engine)	• Lack of holistic view of payment data (e.g., fragmented data, incomplete reporting) • Lack of real-time payment data access • Costs associated to manual reconciliation processes • Limited fraud monitoring capabilities	• Transition to modern Airline Retailing strategy • Need to implement latest standards such as Offers & Order or NDC (e.g., define strategy, plan system changes and new processes) • Lack of holistic strategy considering payments and distribution

Source: Edgar, Dunn & Company

Note: 1) Please note that these pain points and emerging needs are illustrative and not an exhausted list. The deep dive articles might not cover all topics in the same level of detail and might also include additional or different topics

Through real-world case studies and practical frameworks developed across our global airline engagements, this report demonstrates how airlines are turning these challenges into competitive advantages. For example, airlines implementing comprehensive governance structures are improving approval rates from industry lows of 50-60% to optimised levels above 80%. Others are generating new revenue streams worth over $100 million annually through strategic payment issuing programmes.

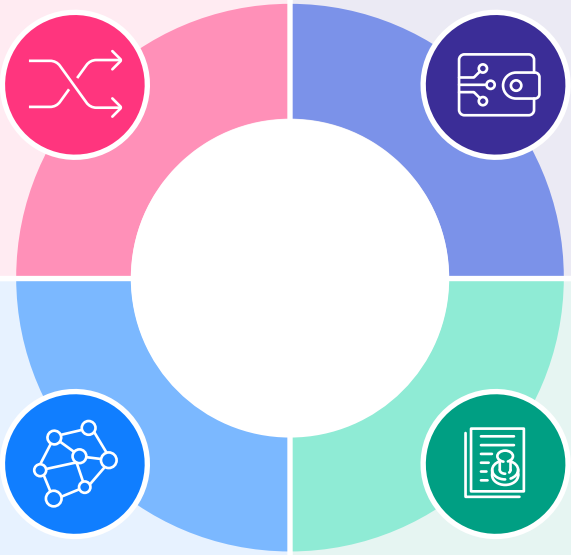
The identified payment issues do not exist in isolation. They emerge from a complex and continuously evolving payments landscape. Four key drivers of change shape this landscape, each introducing new opportunities (or threats!) that airlines must navigate:

1. Changing customer expectations

- Expectation for simple, fast customer payment experience: a below-par customer experience impacts conversion rates (e.g., High decline rates if card approval rates are not monitored and optimised)
- Expectations for non-card payments (e.g., UPI, PIX) and local payment methods (e.g., Swish, Bizum)
- Expectation of reassurance (e.g., free rebooking, free cancellations) when booking travel

2. Digital innovation

- Increase usage of wallet and in-app payments (e.g., Apple Pay)
- Increase usage of bank transfers and open banking (e.g., Trustly)
- Increasing usage of contactless payments (e.g., at airport kiosk, in-flight)
- Virtual cards gaining significant traction among travel agents
- Payment orchestration to provide more flexibility and control to airlines



4. Payment provider-related changes

- New entrants in the travel payment sector (e.g., e-commerce acquirers / PSPs, escrow service providers)
- Alternative payment method providers and increased expectations for using local preferred payment methods (e.g., domestic wallet) and paying in local currency
- New payment models with BNPL / instalments (e.g., Affirm, Klarna, Floa)
- Risk/changes on the payment suppliers' side

3. Regulatory changes

- Changes in IATA Resolutions (e.g., 890 and introduction of Transparency in Payments globally)
- Implementation of SCA (Strong Customer Authentication) in Europe and potentially in other regions
- Digital Euro intiative by the EU central bank
- PSD3 and upcoming regulations

Source: Edgar, Dunn & Company

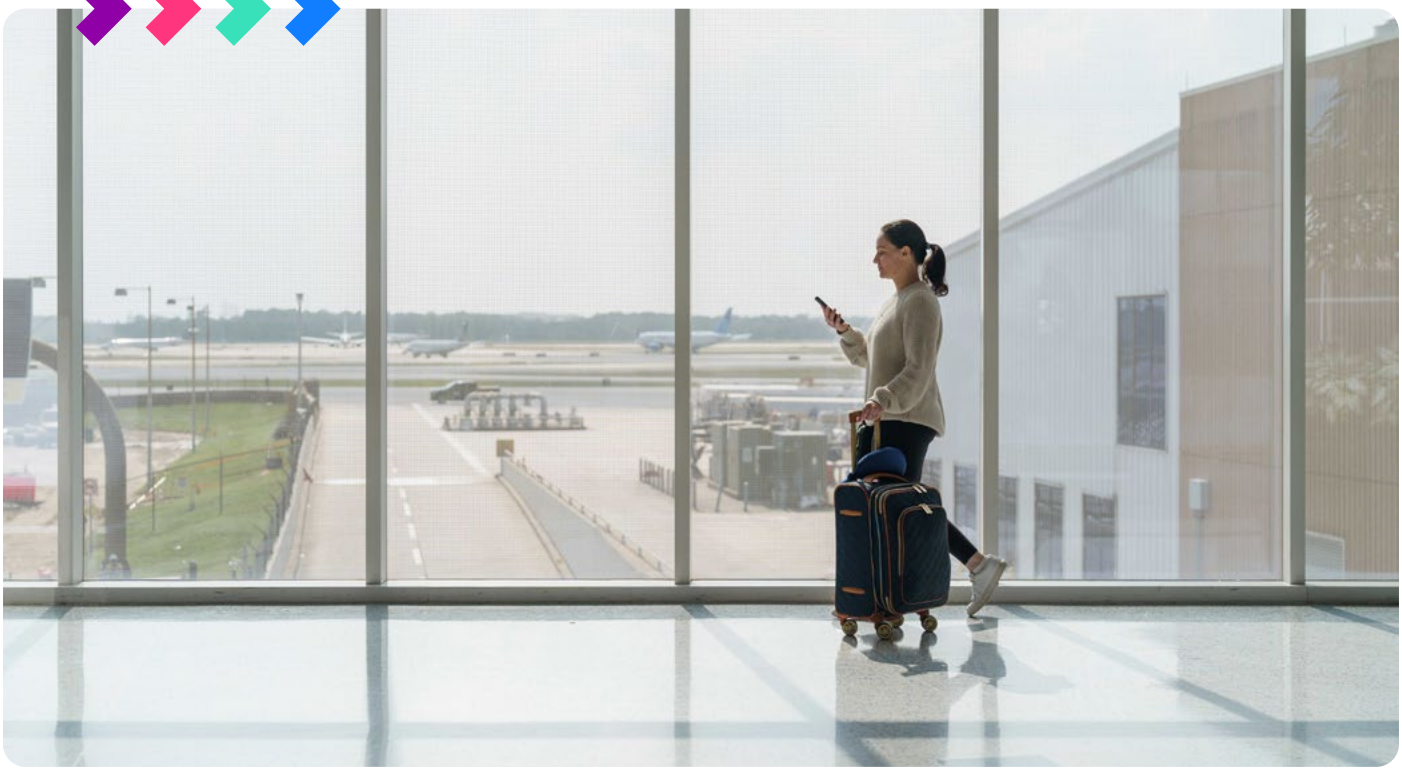
These drivers create a dynamic environment where payment strategy and operations must constantly adapt. While not exhaustive and varying by countries and regions, the examples mentioned above represent key patterns observed across the industry.

The interplay between these external drivers of change and internal airline operations helps explain why payment issues persist despite efforts to address them. Understanding this context is crucial. It demonstrates that payment issues often stem from structural market changes rather than operational inefficiencies alone.

While these payment issues are common across the industry, EDC recognises that solutions must be tailored to each airline's specific context. Factors such as airline size, payment operations maturity, market competitiveness, strategic priorities (growth vs. profitability), and home market conditions all influence the optimal approach.

This report provides actionable insights from airlines that have successfully transformed their payment operations - from carriers achieving 15-20% cost savings through acquirer optimisation to those implementing payment orchestration layers that reduce integration timelines from 9-12 months to 3-6 months. Each chapter combines strategic frameworks with practical implementation guidance, helping airlines move payments from the boiler room to the shop window. As 81% of airlines advance with New Distribution Capability (NDC) and prepare for native 'Order' processing, the time to build future-ready payment strategies is now.

Each chapter examines one payment challenge through detailed case studies and implementation frameworks. From governance structures that accelerate decision-making to data management approaches that eliminate thousands of hours of manual reconciliation, EDC provides both strategic vision and operational guidance to airlines ready to transform their payment capabilities.



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1

Enhancing airlines' payment acceptance performance

The evolution of airlines' payment acceptance

In our consulting work with a wide range of airlines across the globe, we have noticed significant changes in airline payment acceptance policies. Some of these changes have become particularly evident after the Covid-19 pandemic. Airlines no longer focus solely on their direct sales channels anymore (e.g., the airline's website, mobile app) but increasingly pay attention to indirect sales channels (e.g., sales through online travel agents or travel management companies via Global Distribution Systems or NDC) and recognise the importance of pro-actively managing their payment acceptance function.

Airlines consider additional factors, including sales geography, payee profile, preferred payment methods and payment providers processing transactions. This has led many airlines to avoid blanket or one-size-fits-all payment acceptance policies. They now cater for nuances and remain flexible and adaptable to industry changes.

The payment acceptance policy is the backbone of the airline's overall payments strategy. It defines the dos and don'ts of which payment methods to accept, where, and how. Consequently, this policy directly impacts key payment performance areas such as cost of payment acceptance, market reach and payment conversion.

Payment Acceptance Policy

Airlines define their payment acceptance policy based on different factors



Sales Geography	Sales Channel	Payee Profile	Payment Providers	Payment Method
Location of the traveller purchasing the flight ticket	Channel used by the traveller, direct (e.g., airline website) or indirect (e.g., via travel intermediary)	Type of traveller, individual consumer or corporate	Payment providers processing the transaction (e.g., distribution of volumes among acquirers, gateways, orchestrators, fraud prevention providers)	Payment method used by the traveller or travel intermediary to send funds to the airline (e.g., card, virtual card, mobile wallet, bank transfer)

The performance of these factors will have an impact on the following areas

Cost of Acceptance	Market Reach	Payment Conversion
The cost incurred by the airline to accept a payment from the traveller	Range of travellers that the airline can reach based on their payment acceptance offering	Proportion of payments that are approved (i.e., authenticated and authorised) to be settled

Source: Edgar, Dunn & Company

Pain points related to payment acceptance

Despite the differences between one airline to another, our two decades of close collaboration with them have revealed several recurring pain points across the three key areas of payment acceptance: cost of acceptance, market reach, and payment conversion.

These pain points and their respective solutions are varied but share some commonalities:

- First and foremost, data is king, and lack of data prevents improvements. Access to detailed payment performance data is essential to identify both what is going wrong and the root cause. For instance, one airline headquartered in EMEA had never looked at card approval rates by country where the traveller is located and was shocked to find out that nearly half of US-based cardholders experienced card declines on its website.
- Secondly, close collaboration with payment providers is necessary to address problems in a timely manner. For instance, some acquirers have a pro-active outreach team to directly contact large issuers in case of unusual card declines driven by a particular issuer.
- And last, but not least, client-centric payment strategies are a "must" and require flexibility and quick time-to-market. Meeting the changing expectations of clients (whether consumers, small businesses or corporate travellers) increasingly requires internal payment expertise and modern payment technology.

Our consulting assistance with airlines across the globe enabled EDC to identify specific pain points and unmet needs related to payment acceptance for airlines, as well as potential solutions.

	Identified Pain Points Among Airlines	Potential Solutions
Cost of Acceptance	Fees charged by payment providers above industry benchmark	Introduce multi-provider strategy (e.g., acquirers) and support it by regularly reviewing provider contracts
	Payment cost of acceptance driven by travel agents' virtual cards	Introduce segmented agents' virtual card policy and negotiate terms directly with travel agents and/or issuers
	Lack of integration with local payment providers or payment methods	Explore local options (e.g., domestic acquiring) to limit cross-border fees and/or to obtain higher approval rates
Market Reach	Limited customer reach in certain geographies due to the lack of alternative payment methods (APMs) acceptance	Assess customer expectations in key markets on a regular basis and develop a tailored strategy
	Uncertainty of new APM adoption and return of investment	Conduct A/B testing to assess the APMs impact, either directly or via gateway or orchestrator provider
	Lack of payment strategy linked to customer loyalty and attrition for different types of travellers	Explore payment issuing initiatives that can be linked with the airline loyalty programme
Payment Conversion	Lack or limited visibility on indirect sales approval rates	Work with payment providers to access and monitor conversion for indirect sales on an on-going basis
	Lower than industry benchmark approval rates due to high level of fraud false positives	Adjust fraud prevention rules to find the right balance between security and conversion
	Low approval rates for specific payment methods	Explore and understand the entire payment customer journey before implementing a new payment method

Source: Edgar, Dunn & Company

Note: This list provides illustrative examples of pain points faced by airlines and is not intended to be exhaustive.

Learnings from actual airline case studies

EDC has developed a proprietary approach called "360° Payments Diagnostic" to engage with all relevant departments within airlines and conduct a holistic review and benchmark of airlines' payments across all sales channels. This experience has enabled EDC to identify key pain points for airlines and develop optimal solutions to solve them. It is always important to size pain points as well as the impact of potential solutions. Demonstrating a compelling return on investment is indeed key to convince internal and external stakeholders to act swiftly.

The high-level case studies per key payment area below illustrate the order of magnitude of the pain points identified and highlight the need for airlines to focus on these significant topics.

These examples show that airlines' payment acceptance policies need to be well-designed and continuously reviewed to remain competitive, keep abreast of changes in the payments industry and support growth. These best practices allow airlines to optimise payment costs, protect revenue, and uncover new revenue opportunities.

Cost of Acceptance	Market Reach	Payment Conversion
Tier 1 Airline › Identified that its main acquirer, for some specific markets, was **charging international payment fees** despite claiming local acquiring capabilities	**Tier 1 Airline** › Existing payment loyalty programme only available for consumers › Identified potential **issuing opportunities for its large corporates and SMEs clients**	**Tier 3 Airline** › **No visibility on indirect sales approval rates** › Worked with GDS partner to receive the monthly approval rate performance for one year on the top 5 sales markets
By partnering with acquirers with **local acquiring capabilities and charging domestic payment fees**, the Airline was able to generate a **Cost Saving** of **10%–20%** on **Payment Fees** in specific markets	By partnering with an issuer to develop a **co-branded card proposition for large corporate and SMEs clients**, the Airline estimated a **Cost Saving** of **15%–20%** on **Cost of Acceptance fees** based on the commercial proposal from card issuer	The data received from its main GDS **for one of the top 5 sales markets**, highlighted an average **Approval Rate** of only **50%–60%** for **Indirect Sales** during the year, with a significant drop during two peak summer months **Approval rates should be higher than 80%**, showing over a 20% difference

Source: Edgar, Dunn & Company

Note: Tier 1 Airline refers to global legacy & full-service airlines with over $10B+ in revenues. Tier 2 Airline refers to major regional & low-cost carriers with over $2B in revenues. Tier 3 Airline refers to regional & niche airlines with less than $2B in revenues.



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2

Optimisation of acquiring contracts: rebalancing power in a post-pandemic landscape

The shifting power between airlines and acquirers

Acquirers are pivotal partners for airlines, processing billions in card payment transactions annually. The industry experienced an earthquake during the COVID-19 pandemic, which significantly disrupted the relationship between acquirers and airlines. As airlines faced unprecedented challenges, acquirers acknowledged a higher credit risk exposure[1] and reassessed their risk management policies.

Between 2020 and 2022, the airline sector saw numerous bankruptcies and restructurings. Major carriers like Avianca, LATAM, and Virgin Australia underwent significant restructuring, while others like Air Namibia, Flybe and Germanwings ceased operations entirely. Alitalia required government intervention, and carriers such as SAS entered Chapter 11 equivalents. This fundamentally altered how acquirers viewed airline partnerships.

During this period, some acquirers exited contracts with airlines or changed contractual terms on a "take it or leave it" basis, leaving even long-established airlines with little choice but to accept much stiffer terms. These included increased collateral requirements or extended merchant settlement periods (sometimes after X days following the departure date of the second leg), which strained airline cash flow at the worst possible time.

The complexity of airline payment processing meant that finding alternative providers was not simple — the average time for an airline to have a new acquirer fully integrated and operational is 9 to 12 months.



1. Airlines represent a "credit" risk for acquirers because airlines collect payments for services that will be delivered in the future. And the acquirer is responsible for refunding transactions when cardholders submit a chargeback following an airline bankruptcy.

The return to growth and renewed acquirer interest

Today, passenger revenue is rebounding strongly. Global revenue grew from $646 billion in 2023 to $744 billion in 2024, representing a 15% Compound Annual Growth Rate (CAGR).

European airlines specifically saw net profits increase from $8.6 billion to $9.0 billion in the same period. This return to growth has rekindled acquirer interest in the airline sector, creating new opportunities for airlines to renegotiate terms established during the crisis and to develop relationships with a broader range of acquirers.

Drawing from payment diagnostics conducted for many airlines across the world, EDC has identified areas of improvement that can significantly impact acquiring operations for airlines:

1. **Cost structure transparency beyond headline rates:** Many airlines focus solely on headline rates while overlooking other significant costs, such as non-reimbursement of fees on refunds or high FX markups on foreign currencies, which can substantially increase the total cost of acceptance
2. **Selecting the optimal pricing model:** While the industry trend leans toward IC++ (Interchange Plus Plus) pricing for transparency, the ideal model varies by airline profile and market mix. Airlines must conduct a detailed analysis to determine where a blended rate may be more favourable than where IC++ would generate cost savings. Without this market-specific understanding, airlines risk making blanket decisions that optimise some regions at the expense of others. The key is developing a data-driven approach that evaluates each model's performance across the airline's unique market portfolio
3. **Interchange downgrades:** Missing data elements and inadequate monitoring processes frequently result in transactions failing to qualify for optimal interchange rates, directly increasing costs without airlines' awareness
4. **Missed "on-us" opportunities:** Airlines often overlook the potential benefits of establishing direct agreements with acquirers that also have issuing capabilities in specific markets. When an acquirer processes transactions for cards they also issue, there are opportunities for preferential rates and improved processing efficiency. By identifying and leveraging these "on-us" possibilities, airlines can achieve +10% savings on applicable transaction volumes
5. **Non-competitive benchmarking:** Limited visibility regarding market rates leaves airlines unable to effectively evaluate their acquiring costs against peers, potentially resulting in significantly higher fees than market benchmarks
6. **Strategic acquiring partnership management:** Without a defined geographic optimisation strategy, minimal acquirer performance measurement and insufficient diversification of partners, airlines fail to leverage the full potential of their acquiring relationships while exposing themselves to operational risk. The pandemic demonstrated that over-reliance on a single acquirer or a very limited number of providers can leave airlines vulnerable to unfavourable term changes

7. **Agreement term optimisation:** Airlines frequently accept extended lock-in periods with volume commitments while missing opportunities to include performance incentives that could drive authorisation rates, service quality and cost improvements over time. Furthermore, airlines often fail to secure commitments from acquirers to add new services or features to their development roadmap, limiting future capabilities without contract renegotiation

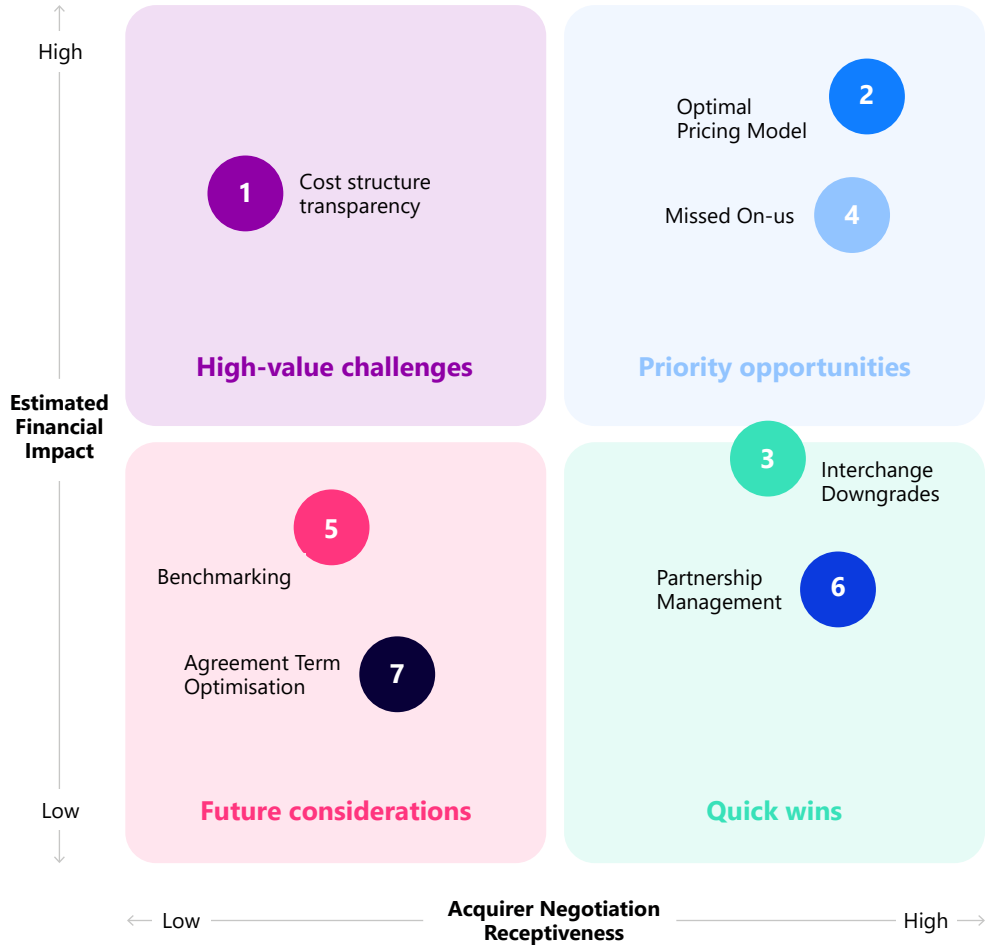
While identifying these areas for improvement is valuable, airlines must also prioritise their efforts strategically. The chart below positions each area for improvement according to two critical dimensions: estimated financial impact (is it worth it?) and acquirer negotiation receptiveness (are we likely to get it?). This framework helps airlines focus their resources on areas offering the optimal balance between potential savings and likelihood of successful negotiation.

Potential Areas of Improvement

1. **Cost Structure Transparency Beyond Headline Rates**
   - Fees non-reimbursement on refunds
   - FX mark-up on foreign currencies
2. **Selecting the Optimal Pricing Model**
   - Blended rates vs. IC++ transparency
   - Missing volume-based tiering structures
3. **Interchange Downgrades**
   - Missing data elements causing higher rates
   - Lack of proactive downgrade monitoring
4. **Missed On-Us Opportunities**
   - Lack of on-us agreements with key issuers
   - Untapped savings of 15-30% on applicable volume
5. **Non-competitive benchmarking**
   - Limited visibility into market rates
6. **Strategic Acquiring Partnership Management**
   - No geographic optimisation strategy
   - Minimal vendor performance measurement
7. **Agreement Term Optimisation**
   - Long lock-in periods with commitment volumes
   - Missing agreement performance

Source: Edgar, Dunn & Company

Acquirer Negotiation Strategy Matrix



Source: Edgar, Dunn & Company

Note: This is an illustrative chart, and the actual ranking of each item would change depending on the airline and on the acquirer

For context, it is important to note that the relevance of these areas for improvement varies significantly by airline profile. Tier 1 international carriers may benefit from different strategic prioritisation compared to regional carriers or carriers with more limited geographic footprints. For example, an airline operating primarily within the EU would have minimal FX exposure compared to a global carrier.

Before rushing to solve these issues or renegotiate with acquirers, airlines would benefit from conducting a thorough payment acceptance diagnostic. Such homework pays dividends: it reveals the true state of play, pinpoints where real money is being left on the table, identifies service offering and performance gaps and provides the quantitative evidence needed to support negotiation positions with acquirers. The diagnostic should also assess acquirer-provided transaction data quality, which impacts reconciliation efficiency — a critical aspect EDC explores comprehensively in the chapter "Payment Data Management".

Best practices for optimising acquiring contracts

Based on its significant experience working with airlines, EDC has identified several best practices:

1. **Data-driven negotiation:** Conduct a detailed analysis of transaction data to identify all costs beyond headline rates. This reveals the true impact of cost items such as non-reimbursed fees on refunds and FX markups across currencies

2. **Pricing model optimisation:** Perform market-by-market analysis to determine where IC++ or blended rates are most advantageous. This targeted approach prevents applying a one-size-fits-all solution across diverse markets

3. **Interchange qualification management:** Implement systematic monitoring of downgrade reasons and establish data quality standards. This proactive approach prevents revenue leakage from transactions failing to qualify for optimal rates

4. **On-Us agreement development:** Map the issuing capabilities of contracted acquirers in key markets to identify on-us opportunities. Negotiate preferential agreements for these transaction flows to capture savings of 10% or more

5. **Competitive benchmarking framework:** Establish regular comparison of acquiring costs against market rates and peer airlines, as well as a comparison of capabilities. This enables airlines to identify non-competitive rates and provides leverage in negotiations

6. **Strategic acquirer partnership:** Develop a geographic optimisation strategy that aligns acquirer strengths and coverage (including access to domestic schemes) with market needs. A balanced approach should optimise geographic coverage while maintaining sufficient diversification for resilience. This may require partnering with a payment orchestrator with strong credentials in the travel space to accelerate the integration of acquirers able to process cards domestically and/or to accept local alternative payment methods

7. **Agreement flexibility planning:** Structure contracts with balanced term lengths and incorporate volume-based incentives. Negotiate reasonable volume commitments that maintain leverage while securing favourable rates

The pandemic-driven disruption, while painful, has accelerated a necessary transformation in how airlines approach payment acceptance. Forward-thinking carriers are seizing this moment to implement comprehensive payment strategies that focus not only on cost reductions, but also on revenue opportunities driven by payments.

As passenger volumes continue to grow and airline profitability strengthens, carriers leveraging the opportunity to optimise acquirer relationships will establish a significant competitive advantage through higher conversion, lower costs, improved cash flow, and enhanced payment capabilities to enable better customer journeys.



3

Untapped issuing opportunities: how airlines can capture value through 4 key best practices

While most airlines have invested considerable effort in optimising payment acceptance, far fewer have capitalised on the opportunities that lie in issuing their own payment products. Airlines enjoy a unique position of trust with their customers and partners such as travel agencies, possess rich behavioural and transactional data, and already operate robust loyalty programmes. And yet, most airlines have not fully explored how issuing solutions can enhance customer loyalty, improve margins, and unlock new revenue streams.

The missed opportunities in issuing

Compared to other sectors, airline-issued payment products are still underdeveloped. Working closely with our clients across the globe, we observe four recurring challenges that have limited the development of issuing programmes:

1. Limited product offerings by audience segment	Airlines rarely differentiate their issuing solutions across customer segments. Consumers, business travellers, corporate buyers and travel agents all have different payment preferences and needs, yet they often face a one-size-fits-all payment offering, if any at all.
2. Disjointed payment and loyalty ecosystems	While many airlines operate sophisticated loyalty programmes, these are seldom integrated with payment tools. As a result, opportunities to drive engagement, capture data, or reward spend in real time are lost or not optimised as much as they could be. Yet, other industries offer compelling inspiration. For example, in Episode 44 of our EDC Podcast, Suryaveer Singh, Head of Loyalty, CRM and Data Analytics at Emirates National Oil Company (ENOC), discusses how their Yes Rewards programmes successfully integrates loyalty and payments to engage customers beyond core services, creating value through data-driven strategies and cross-sector partnerships. This kind of approach offers a blueprint for how airlines could better align loyalty and payment ecosystems.
3. Lack of a tailored issuing model	Airlines often rely on "traditional" co-branded credit cards issued via third-party banks or financial institutions and targeting consumers. While these partnerships generate revenue through sales of miles to issuers, the model is often suboptimal and inefficiently tailored for other segments. EDC encourages airlines to consider a wider range of issuing models depending on their strategic objectives and target segments.
4. No issuing strategy or ownership	At many airlines, issuing is not treated as a core product or strategic lever. There is often no internal sponsor, roadmap, or cross-functional coordination. As a result, issuing initiatives are fragmented or seen as marketing-led rather than product-driven limiting their ability to scale, adapt, or deliver long-term value. Clear ownership and product thinking are critical to unlocking the full potential of issuing solutions.

With passenger confidence and travel volumes back to pre-Covid levels, the time is ripe to rethink how issuing can support broader commercial goals for airlines.

Challenges	Solutions
Limited issuing offering Same product across all customer segments (no or limited B2C / B2B / travel agent distinction)	**Design segment-based issuing strategy** Examples: Prepaid for unbanked/leisure, virtual cards for B2B, wallets for refunds / ancillaries, issuance of UATP products to corporates
Lack of loyalty-payment integration Loyalty systems not embedded into payment flows, missed engagement and data	**Integrate loyalty with payments** Reward earning at checkout, instant redemption, app-level wallet connectivity
Suboptimal issuing model Too much reliance on "traditional" co-branded credit cards for consumers	**Choose the right issuing model** Evaluate new open-loop and closed-loop opportunities. Match control, cost, and scalability
No issuing strategy or ownership No internal sponsor or roadmap, seen as marketing-only, not strategic lever	**Define ownership and roadmap** Assign product responsibility, build pilot plan, define KPIs and manage as a product

Source: Edgar, Dunn & Company



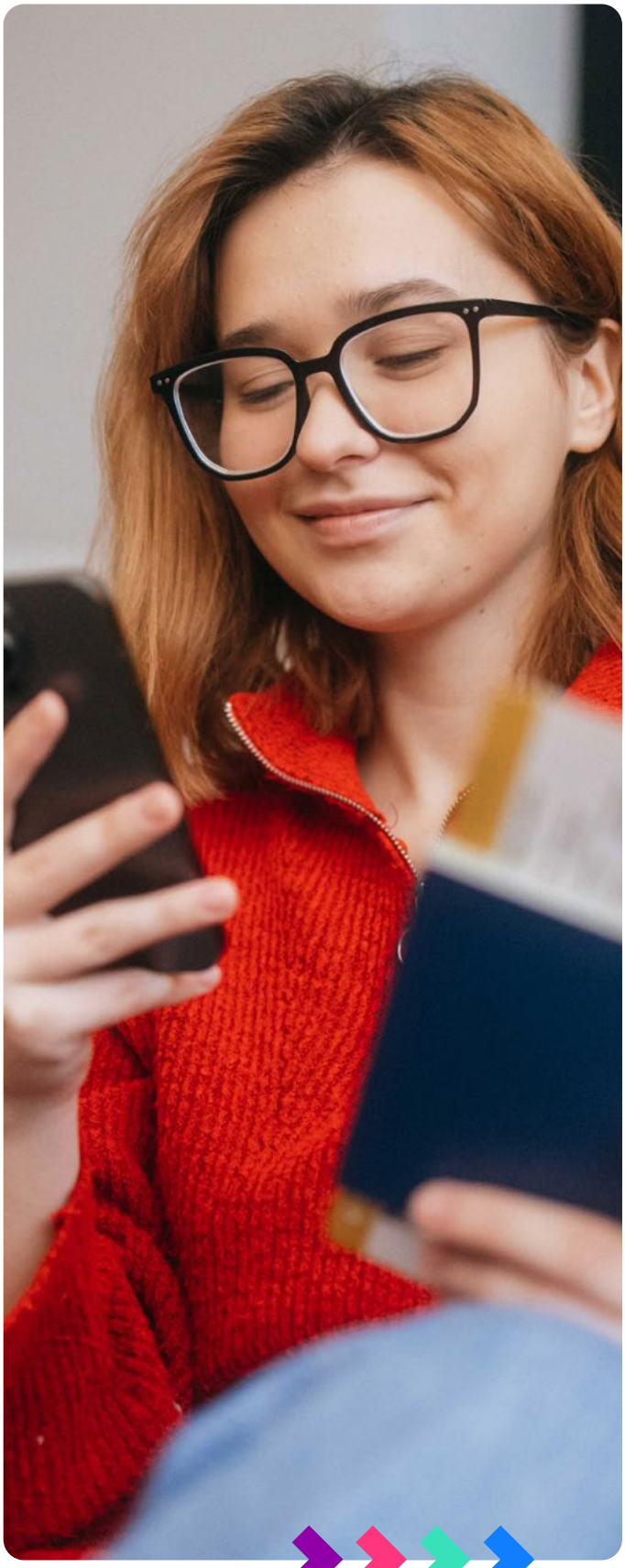
Why issuing matters, now more than ever

The traditional airline business model is under pressure. With operating costs rising in many cases and price competition intensifying, airlines must look beyond fares to drive differentiation, profitability and generate new revenue streams. Issuing can support three strategic objectives:

1. **Strengthening customer engagement:** payment products embedded in mobile apps or integrated with loyalty programmes increase usage frequency and deepen brand affinity.

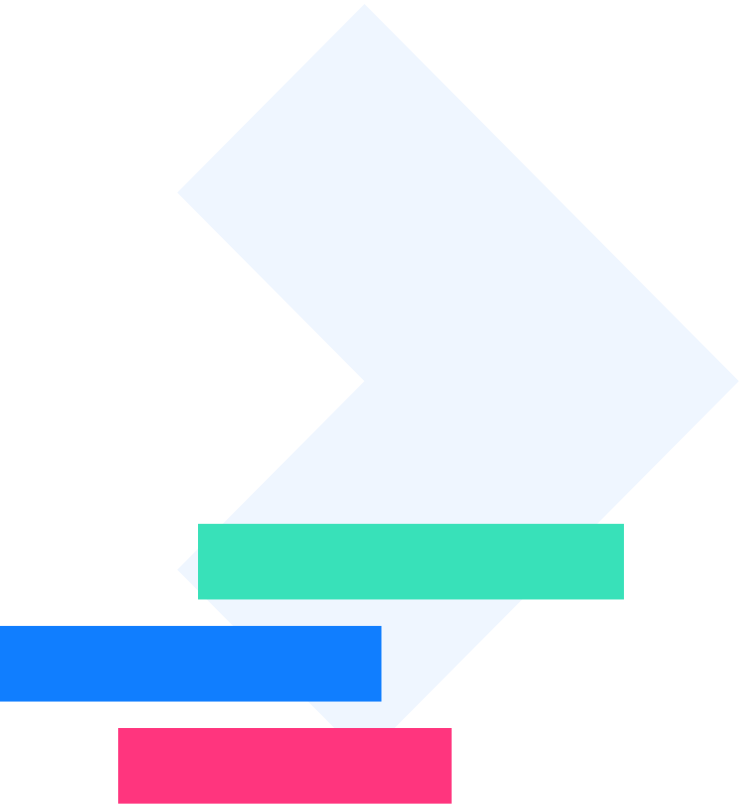
2. **Enhancing spend visibility and data:** issued products give airlines access to transaction-level data beyond ticket sales. This data can be used to personalise offers, create ancillary bundles, and better understand non-travel-related spend patterns.

3. **Capturing new revenue streams:** depending on the issuing model, airlines can benefit from a range of revenue sources, including card fee revenue, transaction fee revenue, Foreign Exchange margins, etc.



Where the market is moving and how airlines explore issuing to unlock new value pools

A few airlines have already started to explore issuing opportunities, often in collaboration with fintech, traditional banks, or BaaS (banking-as-a-service) platforms. Though still relatively rare, these initiatives highlight the flexibility of issuing models and the wide range of card products that airlines can leverage. These include traditional co-branded cards to enhance loyalty, UATP cards designed for corporate travel, SME-focused and virtual cards for business payments, prepaid gift cards for consumers, stored-value cards for travel credit or ancillary services, and multi-currency cards to support international travellers.



Some examples illustrate how these different models can be applied in practice:

AirAsia has integrated a digital wallet into its "super app" ecosystem, which operates across several Southeast Asian markets, including Malaysia, Thailand, Indonesia, and the Philippines. The wallet, branded as AirAsia pocket, enables customers to store refunds, purchase ancillaries like baggage or meals, and pay for non-travel items across lifestyle merchants, aiming to streamline in-app payments and encourage repeat usage. Following this, the Super App saw a 236% year-over-year increase in monthly active users, reaching over 10.6 million in Q2 2022, with average transactions per user increasing from one to seven. In Q1 2024, non-aviation businesses generated over $132 million, contributing 12% of total group revenue.

GOL Linhas Aéreas has leveraged its Smiles loyalty programme through co-branded credit cards issued by multiple major Brazilian banks, including Bradesco, Banco do Brasil, and Santander. This multi-bank partnership model is particularly innovative, as most airlines typically rely on a single co-brand issuer. By engaging several banks, GOL has significantly expanded the reach of its credit card offering, tapping into a broader range of customer segments and acquisition channels. These cards allow customers to earn Smiles miles on everyday spending and have helped grow the programme's user base, particularly among leisure travellers. With over 20 million members, Smiles has become a key driver of customer loyalty and ancillary revenue.

United Airlines, in partnership with Chase, offers co-branded credit cards specifically tailored to small businesses in the US. These products include business-focused spend categories, employee card controls, and deeper integration with United's loyalty programme. This segmentation approach goes beyond consumer co-brands and aligns more closely with the travel needs of SMEs.

Air Canada issues UATP accounts through its ACGlobe and ACGlobePlus programmes, providing travel agencies and corporate clients with a centralised payment solution for air travel in Canada. This positions Air Canada as both a carrier and a B2B payment issuer within the corporate travel ecosystem.

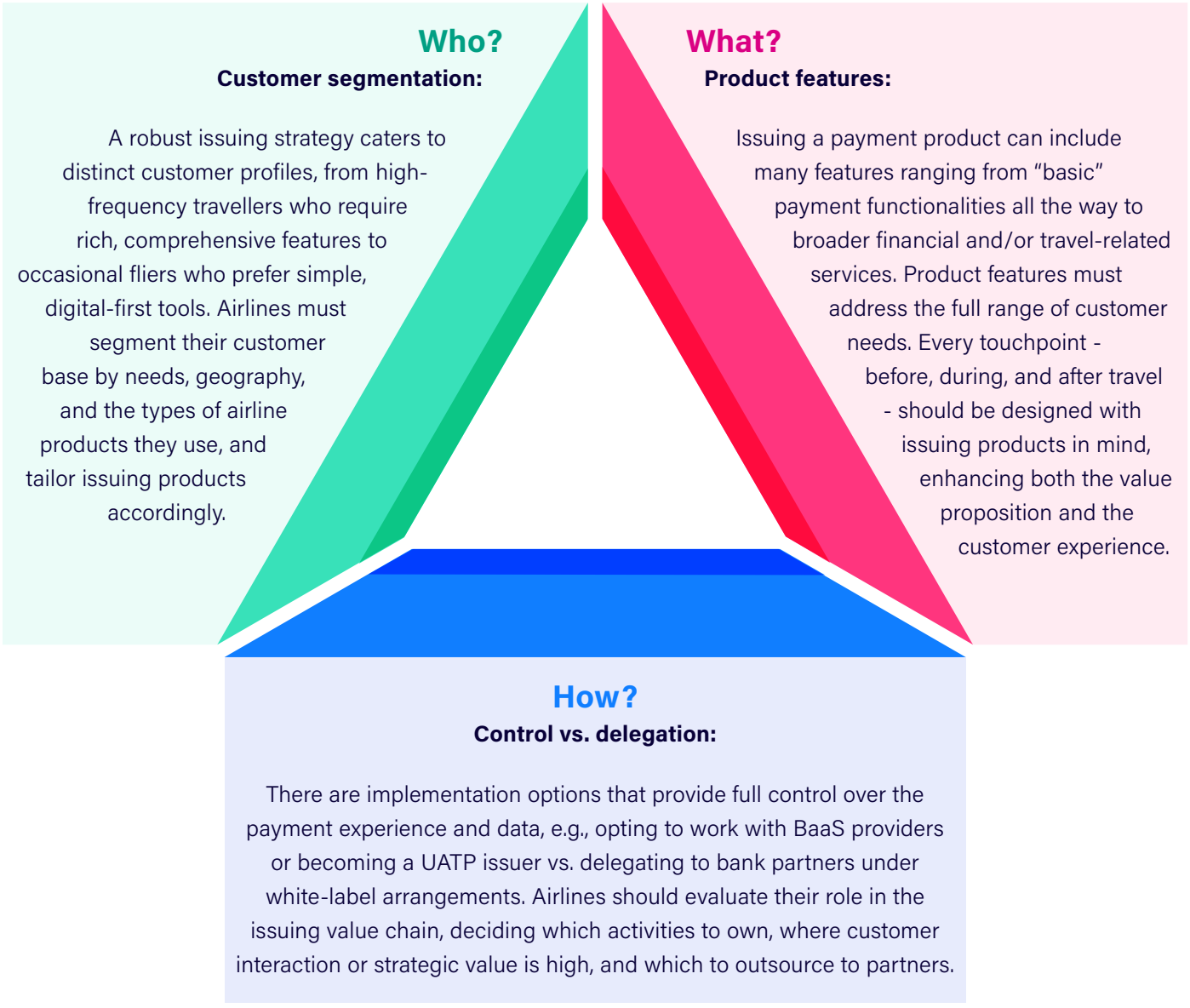
Air France and **KLM** partnered with Nium in 2024 to roll out Nium Airline Payments (NAP), a "closed loop" virtual card solution targeting travel agents. NAP replaces traditional card schemes with UATP rails and bank transfers, enabling lower payment costs, faster settlement, and simplified reconciliation. The solution gives airlines more control over B2B payments and strengthens their commercial relationships with selected agents, starting with a rollout in Italy.

While such initiatives are not yet widespread, they reflect growing interest in bringing issuing closer to the core airline value proposition. Success will depend on aligning the issuing model with each airline's commercial priorities, technical capabilities, and market context.



Choosing the right issuing model

There is no universal blueprint for issuing success. Airlines must first define their strategic objectives such as strengthening relationships with specific customer segments, collecting actionable data, generating cost savings, or developing new revenue streams. They must then carefully evaluate different models along three key axes:



Four best practices to unlock issuing opportunities

To help airlines leverage issuing opportunities, we recommend four key best practices:

1

Conduct an issuing opportunity assessment: map out customer needs, behavioural patterns, and current gaps in payment journeys. Use data to prioritise use cases with the highest ROI to decide whether and where to issue payment products.

2

Build a clear implementation roadmap and go-to-market plan: for instance, identify ways to avoid operating loyalty and payment in silos and how to market issuing products.

3

Choose the right partners: whether through a fintech, bank, payment scheme or a BaaS provider, airlines need to ensure partners align with strategic priorities, commercial ambitions and technology roadmap.

4

Pilot, measure, iterate: an agile and iterative approach has proven effective for airlines. Start small, test quickly, and scale what works. Issuing is not a binary decision but a continuum of initiatives that can evolve with customer needs and business maturity.

These best practices are at the core of what EDC proposes to its airline clients as part of dedicated issuing strategy projects, that combine deep payments expertise with practical support.

Issuing is no longer just for banks. For airlines, it represents an untapped commercial lever that can enhance customer experience, support loyalty, improve data insights, generate cost savings and unlock new revenues. As the boundaries between travel, payments, and digital services blur, the time has come for airlines to include issuing in their payment's strategy.





4

Payment governance matters: structuring payment ownership inside airlines

Despite the rising commercial and operational importance of payments, many airlines still rely on highly fragmented internal structures. Responsibilities are often scattered across teams such as finance, IT, or distribution, with no central point of coordination. As a result, payment-related decisions are often reactive, payment project portfolios are unclear, and strategic initiatives are slowed by misaligned priorities or resource conflicts.

Fragmented ownership slows down progress

In our consulting work with airlines worldwide, one challenge consistently stands out: fragmented payment ownership. Responsibilities are often divided between departments — with no clear owner or shared roadmap.

This fragmentation leads to unclear priorities, duplication of initiatives, and slower time-to-market. More fundamentally, it prevents payments from being treated as a strategic enabler of commercial performance. Payment innovation projects struggle to gain traction without internal sponsorship, performance monitoring remains ad hoc, and strategic questions such as payment method expansion or cost optimisation are addressed in isolation rather than holistically.

And this isn't just an internal issue - it directly impacts customer experience. According to our 2023 report *Around the World in 80 Ways to Pay* with Nuvei, 74% of global travellers would abandon a booking if their preferred payment method was not available. Yet many airlines are unable to respond quickly due to internal silos. The same study found that while 80% of travellers want to split payments, only 27% of airline websites offer that option — a telling example of how fragmented ownership leads to missed opportunities.

We have also seen airlines struggle to roll out new methods like PayPal, Apple Pay or BNPL ('Buy Now Pay Later') globally due to misalignment between commercial teams and IT. In some cases, what should be a 2-month pilot turns into a year-long process simply because of unclear ownership or conflicting priorities between departments.



Duplicated efforts, divided outcomes: the cost of internal misalignment in payment strategy

A major European airline recently recognised that its scattered governance model was no longer fit for purpose. Although it had a number of payment initiatives underway ranging from pilots of new payment methods to IT infrastructure upgrades, there was no cross-functional coordination, no shared KPIs, and no overall strategy tying these initiatives together.

The result was a growing disconnect between ambition and execution. While commercial teams pushed for faster rollouts and better customer experience, technical and operational constraints were slowing progress. Projects were launched without fully aligned objectives, and valuable insights from one department often failed to be shared with others.

This is especially true for many tier 2 and tier 3 airlines, where this challenge is compounded by a lack of dedicated payment expertise. The strategic importance of payments is often underestimated or simply not understood. As the saying goes, *You can't value what you don't know*. Without clear ownership or internal knowledge, payments remain fragmented, and underleveraged.



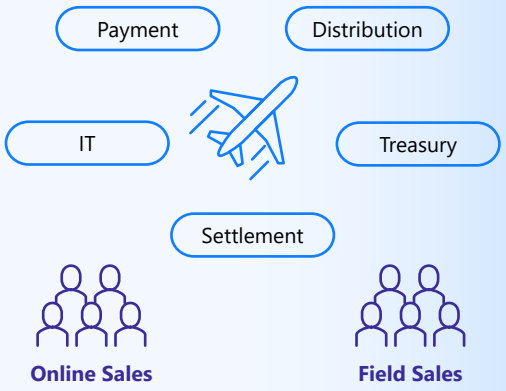
A new model: centralised governance with cross-functional input

To address this, the airline created a dedicated governance structure to oversee payments end-to-end. This cross-functional group brought together stakeholders from commercial, finance, IT, legal, revenue accounting and operations, aligning priorities and decision-making under a single umbrella. The team was given a clear mandate to define the payment strategy, monitor performance, and coordinate the payment roadmap across functions.

This model enabled the airline to break down internal silos and take a more holistic approach to payment projects. Decision-making became faster and more informed. Strategic trade-offs such as balancing cost reduction with improved conversion, could be assessed more transparently. And most importantly, the payment function was no longer just reactive: it became a proactive driver of commercial and customer value.

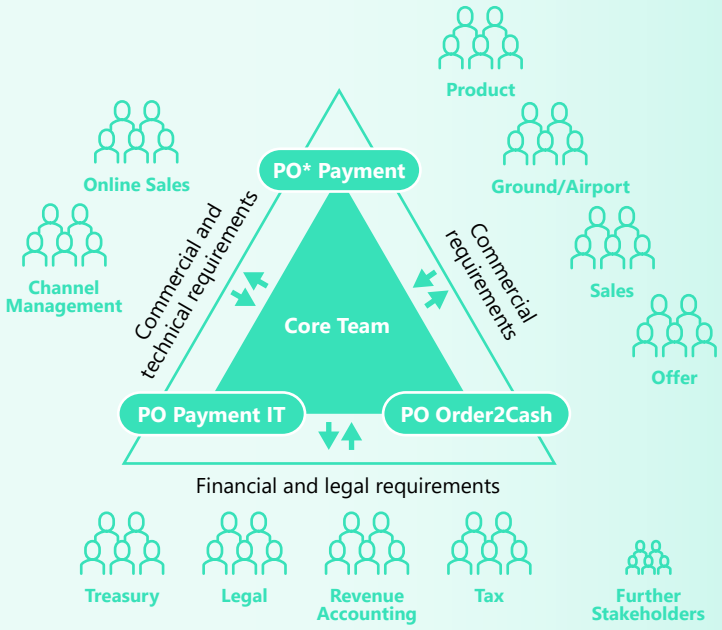
Without clear ownership, payment projects stall. A Core Team can fix that:

From a distributed process ownership...



- Unclear project portfolio and pipeline
- Conflicting interests regarding prioritisation
- Several points of contact / distributed responsibilities

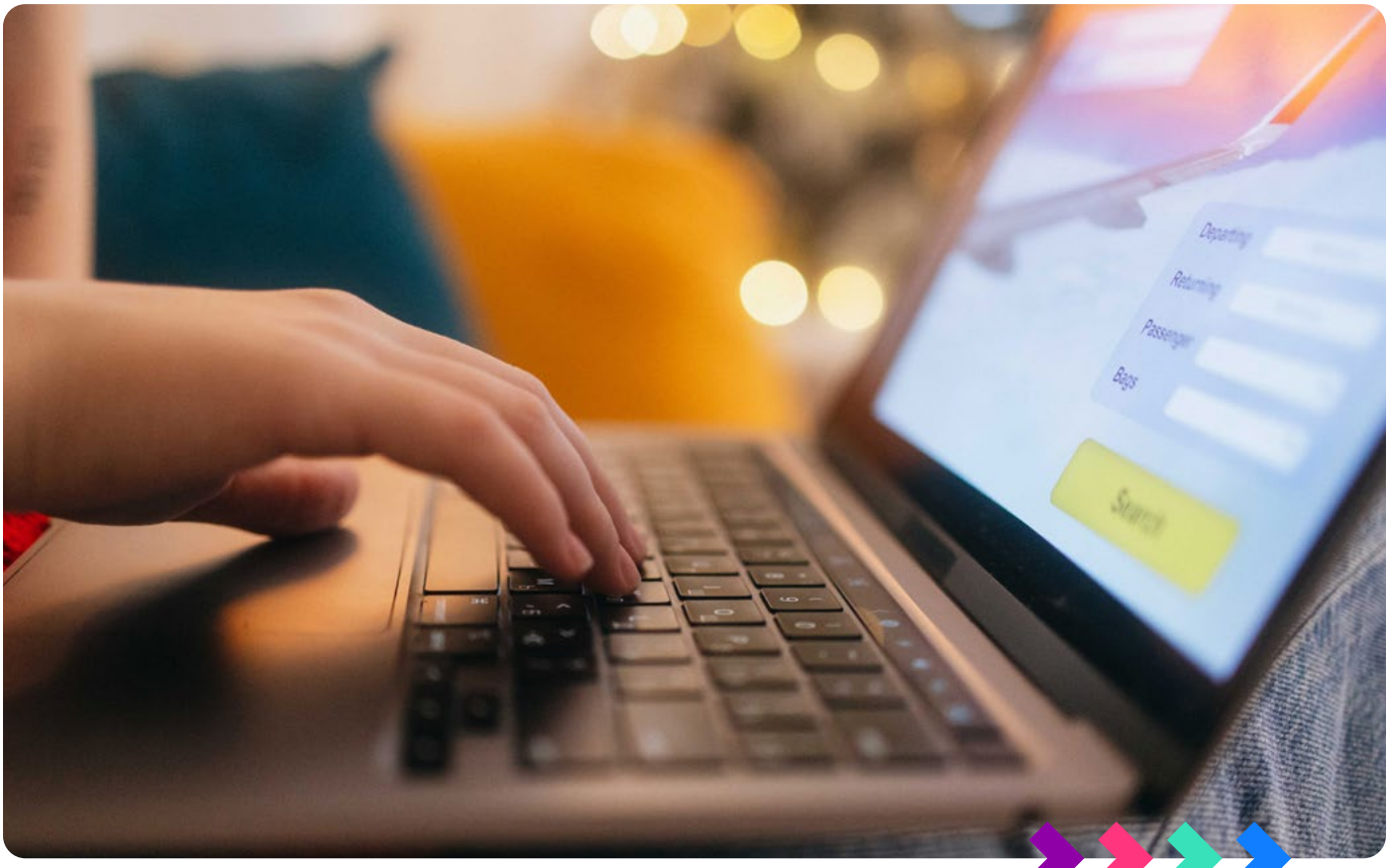
...to the creation of a dedicated ecosystem to centralise payment management while aligning with the priorities of all key stakeholders:



- Overall responsibility and coordination with a new role: Head of Payments
- Improved commercial view through allocation at commercial unit
- Enhanced transparency on project portfolio
- Efficiency gains by decreasing manual processes and less friction
- Faster and more coordinated decision-making process among all teams

*PO = Product Owner

Source: Lufthansa - Rethinking-your-organisation-to-integrate-payment-and-distribution



Why governance is the foundation of payment maturity

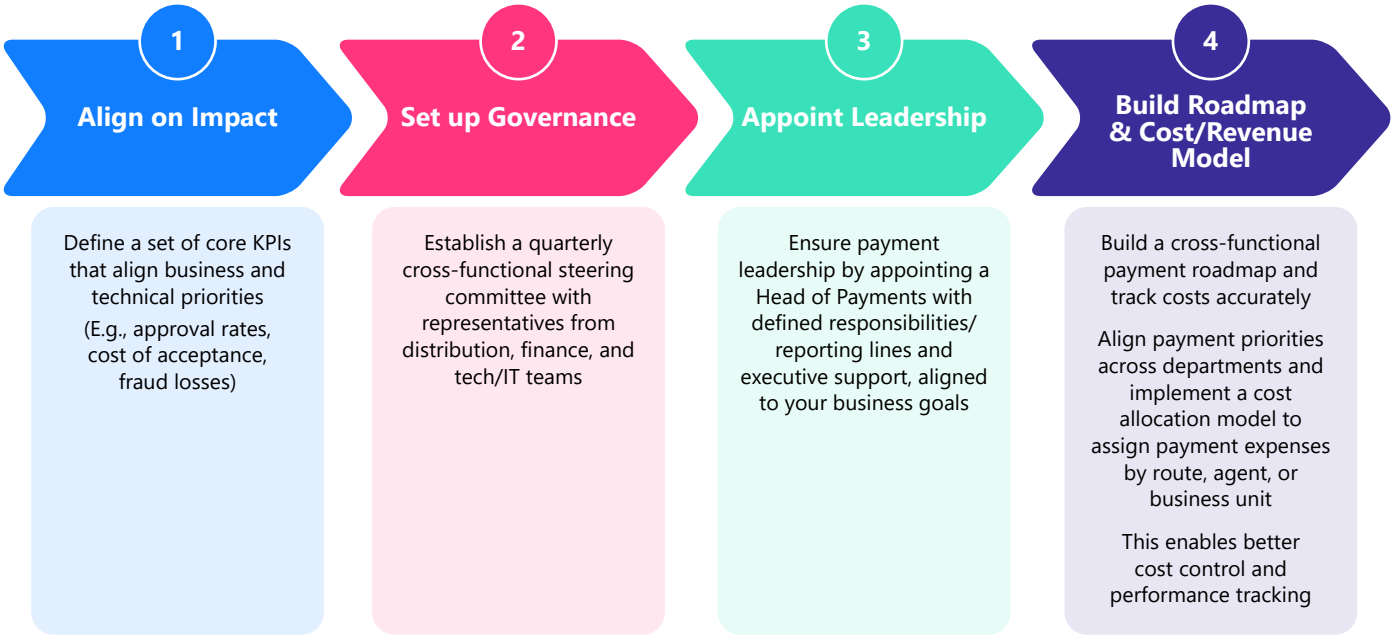
Our experience at EDC shows that payment governance is not simply an organisational question, it is a lever of transformation. Airlines that manage payments with clear ownership, defined KPIs, and cross-functional coordination are able to move faster, innovate more effectively, and deliver tangible results across cost, conversion, and customer experience.

We have seen, for instance, several airlines move from fragmented setups to appointing a dedicated "Head of Payments", reporting into commercial or finance leadership, with a mandate to streamline payment processes across sales channels and improve cooperation and coordination between different departments. This shift often coincides with the creation of cross-functional payment committees and the formalisation of performance tracking - including but not limited to metrics such as approval rates, fraud losses, or cost per transaction split by market, payment methods and sales channels.

Governance also supports long-term resilience. In an environment where regulations evolve quickly, fraud risks increase, and customers expect seamless, omnichannel payment journeys, internal alignment becomes critical to maintaining both control and agility. A structured governance model enables airlines to respond — not react — to these challenges. It also helps them anticipate and adapt to emerging trends such as AI and agentic commerce. As AI agents begin to search, book, and pay autonomously, airlines must coordinate internally on inventory access, authentication, and payment flows to support these new types of customer journeys.

From challenge to action: what can airlines do?

While there's no one-size-fits-all structure, four practical steps can significantly improve governance:



Source: Edgar, Dunn & Company

These building blocks often make the difference between reactive firefighting and proactive strategic execution.

Making payment governance a strategic pillar!

Payments are no longer a back-office topic. They are a strategic domain at the intersection of finance, technology, distribution and customer engagement. But to play that role, payments need a home inside the organisation — a clear owner, a shared roadmap, and the visibility to act.

Importantly, the airline's overarching strategy, whether cost-driven or growth-oriented, often determines which department leads the payment committee. This, in turn, shapes the committee's strategic priorities, operating model, and ability to drive impact across functions. The Head of Payments together with the payment committee need indeed to consider all payment-related impacts and lead the coordination to drive forward a sound payment strategy.



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Navigating payment infrastructure complexity: from silos to orchestration

The legacy challenge: systems built in silos

Airline payment infrastructure has historically been shaped by necessity rather than strategy. Over time, key systems — such as distribution (Global Distribution Systems, NDC, direct web), Passenger Service System (PSS) platforms, loyalty programmes (Frequent Flyer Programme and partner integrations), payment processing (gateways, acquirers, fraud tools, tokenisation), and revenue accounting (settlement and reconciliation), have evolved in isolation. As airlines expanded or adapted to changing market demands, new integrations were layered on, often without re-architecting the core. The result is a patchwork of point-to-point connections between internal systems and external providers — lacking flexibility, accumulating technical debt, and carrying high modification costs. This fragmented architecture now stands in the way of digital transformation. As airlines transition to modern digital retailing models (e.g., migrating to Order Management Systems), it is agility, control, and strategic alignment, rather than integration uptime or cost, that have become essential. One area increasingly under focus is **payment orchestration**: a technical component that simplifies and centralises payment routing while addressing deeper infrastructure complexity.





An increasingly complex foundation

This payments-related complexity is more than theoretical; it is one of the most common operational challenges we encounter in our airline consulting engagements. Beyond core system categories, airlines must manage often tens of specialised payment providers: payment gateways, international and domestic acquirers, fraud platforms, FX services, chargeback tools, 3DS providers, tokenisation solutions, and reconciliation systems. Most of these are integrated in isolation, often by different teams, leading to a fragmented view of payment performance and costs.

- Several structural challenges commonly emerge:
- Lack of clear alignment between IT and payment infrastructure strategy
- Inconsistent cost-benefit analysis between in-house and outsourced components
- Inflexibility to adapt as business needs change, due to technical risk or long lead times (e.g., multiple months are required to onboard a new acquirer or implement a new payment method)
- Poor visibility into inter-system dependencies and failure points
- Limited ability to extract commercial insights from payment data

Even well-resourced IT teams face delays and risks when updating individual components, especially in legacy environments that lack transparency and testing agility.

The payment orchestration layer

In this context, many airlines have implemented or are considering implementing a payment orchestration layer. Rather than building direct integrations to each provider, an orchestrator acts as a central hub, managing connectivity, smart routing logic, and reporting. This architecture accelerates onboarding of new providers and payment methods, enhances performance monitoring, and enables real-time routing adjustments based on transaction context. Features like cascading retries, where failed payments automatically route to backup processors, boosts success rates and reduce costs. Orchestrators also provide a consistent interface between internal systems (e.g., booking engines, Global Distribition Systems, servicing channels) and diverse external payment technologies. As airlines adopt the Offer-Order model to enable more retail-style experiences, payment orchestration becomes even more critical. It supports complex transaction flows such as split settlements, partial refunds, and synchronisation across digital and operational touchpoints, ensuring both flexibility and reliability at scale.

Why airlines seek payment orchestrators ?

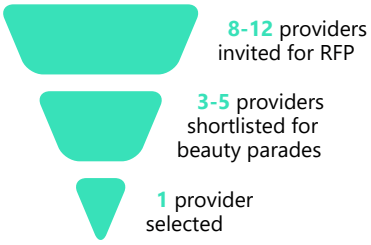
- **Modernisation:** Upgrade legacy systems and infrastructure, keep pace with payment innovation
- **Expansion & Flexibility:** Facilitate expansion into new routes and markets, enable quicker go-to-market for new payment options
- **Effective management** of multi-acquiring and provider strategy
- **Cost optimisation** from payment routing
- **Revenue recovery** via cascading or failover routing of transaction attempts
- **Simplification:** Simplify payment processes, and streamline integration across multiple channels

Key requirements & criteria

- **Connectivity** with airline's existing payment stack (e.g., acquirers, APMs, fraud solutions)
- **Dynamic smart routing capabilities** to increase conversion rate and optimise fees
- **Ability to address payment needs** in new markets in the near future
- **Support for** airline and travel data
- **Hosted checkout page** capabilities (e.g., dynamic payment method presentation)
- **Dynamic 3DS and split payment support**
- **High-performance uptime and scalability**
- **Advanced reporting** and analytics
- **Competitive pricing model**
- **Comprehensive support** with regular touchpoints and industry KPIs benchmarking

Selection process

- Typically involves a formal RFP (Request for Proposal) process
- **Process duration:** 3-6 months



Source: Edgar, Dunn & Company

Strategic considerations: in-house or external?

One of the most common questions raised in payment orchestration planning is whether to build the layer in-house or implement an external provider. Some airlines chose to develop internal orchestration tools, particularly those with strong engineering capabilities or tight control over digital platforms. While this approach offers full ownership and customisation, it also introduces ongoing maintenance challenges. Integrating new payment methods, adapting to regulatory changes, or keeping pace with AI-led routing capabilities often requires significantly more resources than initially anticipated. For instance, some airlines with an in-house layer have had to hire and retain a team of more than 10 developers to set up and maintain the internal component.

By contrast, external orchestration partners typically provide pre-integrated connections to a wide range of payment providers and a growing set of intelligent features. These platforms can reduce implementation timelines and long-term support costs, particularly for airlines with global operations or ambitious roadmaps for payment innovation. However, this model also requires a careful review of vendor fit, technical capabilities (e.g., uptime performance), data compatibility, and long-term flexibility. The decision between internal and external orchestration is ultimately strategic and depends on the unique position of each airline. Airlines must assess not only the technical scope but also the operating model, investment priorities, and expected future pace of change across their retail and payment strategies.

Illustrative and non-exhaustive list of payment orchestrators in the airline sector

Payment orchestrator	Example airline clients
ACI Worldwide	Not listed
APEXX	Ryanair, air seychelles
outpayce from AMADEUS	malaysia airlines, Saudia, Etihad Airways, Icelandair, AirEuropa, Aegean, Southwest
BRIDGERPAY	TUS AIR
cybersource A Visa Solution	Korean Air
CELL POINT DIGITAL	KM Malta Airlines, virgin atlantic
IATA IFG	Not listed
nuvei	euroairlines, Air transat
wowpay	Etihad Airways, Hongkong Airlines 香港航空
yuno	viva aerobus, wingo
JUSPAY	cebu pacific

Source: Public website and announcements

Notes: **Flags indicate 'country of headquarter' of the provider.** Includes clients utilising any type of the payment gateway and orchestration services provided by the entity based on publicly available information and EDC knowledge.



Understanding the state of “smart routing”

A frequent promise of payment orchestration is the ability to intelligently route transactions, whether to optimise costs, improve authorisation rates, or reduce fraud risk. In practice, however, the definition and maturity of smart routing vary significantly across providers. Many orchestration platforms today rely on static, rule-based logic, with parameters configured either by merchants through self-service dashboards or, in some cases by the provider.

In our experience, airlines often underestimate the ongoing effort required to maintain and optimise these routing rules. For example, quarterly fee updates may necessitate adjustments to maintain cost efficiency. These rules can be based on geography, point of sale (POS) location, card scheme or type, Bank Identification Number (BIN), currency, or other transaction attributes. While effective in early stages, such static rules typically require manual updates and cannot adapt to real-time changes in performance. A smaller group of orchestration providers are now beginning to offer more dynamic capabilities, including routing decisions informed by historical authorisation data, transaction cost benchmarks, and AI-based predictions. Some platforms are also starting to ingest settlement data to refine future decisions. Although these advanced features are not yet widespread, they represent an important evolution as payment orchestration moves from a tool of operational efficiency toward a driver of true commercial intelligence.

Cost considerations and commercial models

Pricing models for orchestration vary depending on the provider and the level of service. Airlines may encounter per transaction fees (X cents per transaction), one-time implementation charges (can exceed $10,000), and integration costs for custom connections (wide range depending on providers). Some platforms include fraud prevention tools, 3DS or tokenisation services within their base offering, while others separate these into modular add-ons and charge accordingly. In general, costs are tiered by transaction volume and feature set, with bundled models more common among larger airlines or multi-brand groups. Beyond direct costs, airlines should consider the indirect impact on internal resources, time-to-market, and risk exposure. In many cases, the total cost of ownership of an orchestration layer — whether internal or external — must be measured against the operational friction it is designed to reduce.





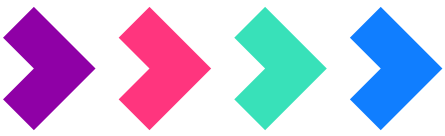
Do not forget pay-outs

While most orchestration discussions focus on accepting payments (pay-ins), the complexity of customer payments is mirrored on the supplier / pay-out side. Payments to or from consolidators, OTAs, fuel vendors, and other partners often run through separate systems or manual workflows, creating inefficiencies, limiting visibility, and complicating reconciliation. Payout orchestration is emerging as a distinct layer to address this gap. Platforms like FinMont and Outpayce are helping travel companies automate B2B partner settlements, manage multi-currency payouts, and integrate with treasury systems, often delivering fast ROI.

From simplification to strategy

The transformation underway in airline payment infrastructure reflects a broader shift in how carriers approach technology investment. Payment orchestration is no longer just a middleware solution. For many airlines, it is becoming a structural enabler that supports faster innovation, better alignment across internal teams, and more consistent payment experiences across customer touchpoints. It also lays the groundwork for stronger governance, clearer performance monitoring, and more effective long-term planning.

Airlines implementing orchestration effectively are seeing benefits that go beyond technical efficiency: real-time visibility into payment performance across markets, the ability to test and deploy new payment methods without adding technical debt, and most importantly, the commercial insights needed to optimise both costs and conversion. With global airline passenger numbers expected to exceed 5.2 billion in 2025 and industry net profits projected at 3.1% margins, even small gains in payment efficiency can have a significant financial impact. In a margin-sensitive industry, a 1% improvement in payment conversion can translate into millions in recovered revenue, giving first movers a clear competitive advantage.





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Payment data management: five steps airlines can take to move from blind spots to data-driven decisions

Airlines handle millions of payment transactions every year across channels, geographies, and partners. Despite this abundance, many still lack a holistic, timely, and actionable view of their payment data. Data remains fragmented across acquirers, gateways, fraud prevention tools, and reconciliation systems providers, with limited integration. As a result, decision-making is often based on incomplete reporting, and intuition rather than data-based evidence.

In an industry where margins are razor-thin and retail-driven transformation is accelerating; this disconnect poses a critical challenge. Data is the foundation that allows airlines to identify performance gaps, uncover optimisation opportunities, and take truly data-driven decisions.

When payment data becomes a blind spot

Working with airlines worldwide, at EDC, we observe four recurring challenges that limit airlines' ability to extract value from payment data:

1. Fragmented systems and siloed data ownership	Acquirer reports, PSS, fraud prevention tools, and refund logs often remain disconnected. Teams working on different systems rarely access a shared view of the data. For example, acquirer reports may not be linked to PSS records, making it difficult to reconcile declined transactions with lost bookings or sales.
2. Lack of cost transparency	Even if airlines are adopting more advanced pricing models like IC++, cost transparency remains limited. Many still struggle to obtain detailed, transaction-level reporting from their key partners (e.g., PSPs, acquirers, fraud prevention providers). Instead, they receive monthly invoices or reports that aggregate fees, with no breakdown of the underlying cost components, preventing granular analysis. This lack of visibility makes it difficult to track true cost performance, compare providers, or pinpoint areas for optimisation - such as excessive acquiring fees, foreign exchange margins, or unnecessary surcharges. It also complicates reconciliation efforts and limits the ability to enforce SLAs or contractual terms. For example, EDC worked with a Tier 1 airline that received monthly PDF invoices from one of its acquirers with an IC++ contract - yet without any transaction-level fee breakdown. Without visibility into the interchange, scheme, and acquirer margin components, the airline effectively operates with a "blended" fee view. This defeats the purpose of IC++ pricing transparency and makes it difficult to have an in-depth understanding of payment costs at different levels (e.g., card type, region, or sales channel). Similarly, another airline supported by EDC faced reconciliation challenges as its acquirer provided only aggregated monthly totals with no details on individual transactions. Finance teams were forced to manually estimate the actual cost per payment method, undermining both accuracy and accountability related to cost control.

In addition to invoices, most acquirers provide Excel-based reports - but these are often still aggregated and lack the granularity needed for reconciliation or detailed cost analysis. While some of the available reporting could be used more effectively, a lack of awareness or technical understanding among those managing payment operations within airlines may limit its value.

As a result, valuable insights remain untapped, and opportunities for optimisation are missed.

3. Manual reconciliation processes

Reconciliation between booking, settlement, refunds and chargebacks is still largely manual, especially for indirect channels. The result is a high operational burden and limited ability to scale. Some airlines report thousands of hours spent annually reconciling providers' statements with booking platforms and accounting systems.

Recent findings help illustrate the scale:

- In 2024, 52% of Accounts Payable (AP) professionals reported spending more than ten hours per week processing invoices, highlighting the persistent operational burden of manual finance processes.
- Travel-industry research also shows that 44% of travel businesses waste more than 1.5 hours per person, per week on payment inefficiencies, and almost all believe their processes could be much more efficient.

In the airline context, these challenges intensify when combined:

- Airlines often transact through numerous acquirers as evidenced by one major airline working with 16 different acquirers. Each acquirer uses different reconciliation file formats (e.g., xml), requiring bespoke interfaces and making manual ticket-level reconciliation virtually unmanageable.
- Manual reconciliation at this scale can significantly slow month-end close cycles, increase the risk of errors, and consume analyst time that could otherwise support strategic decision-making. It also limits airlines' ability to conduct a thorough review of revenue accounting and may result in lost revenue.

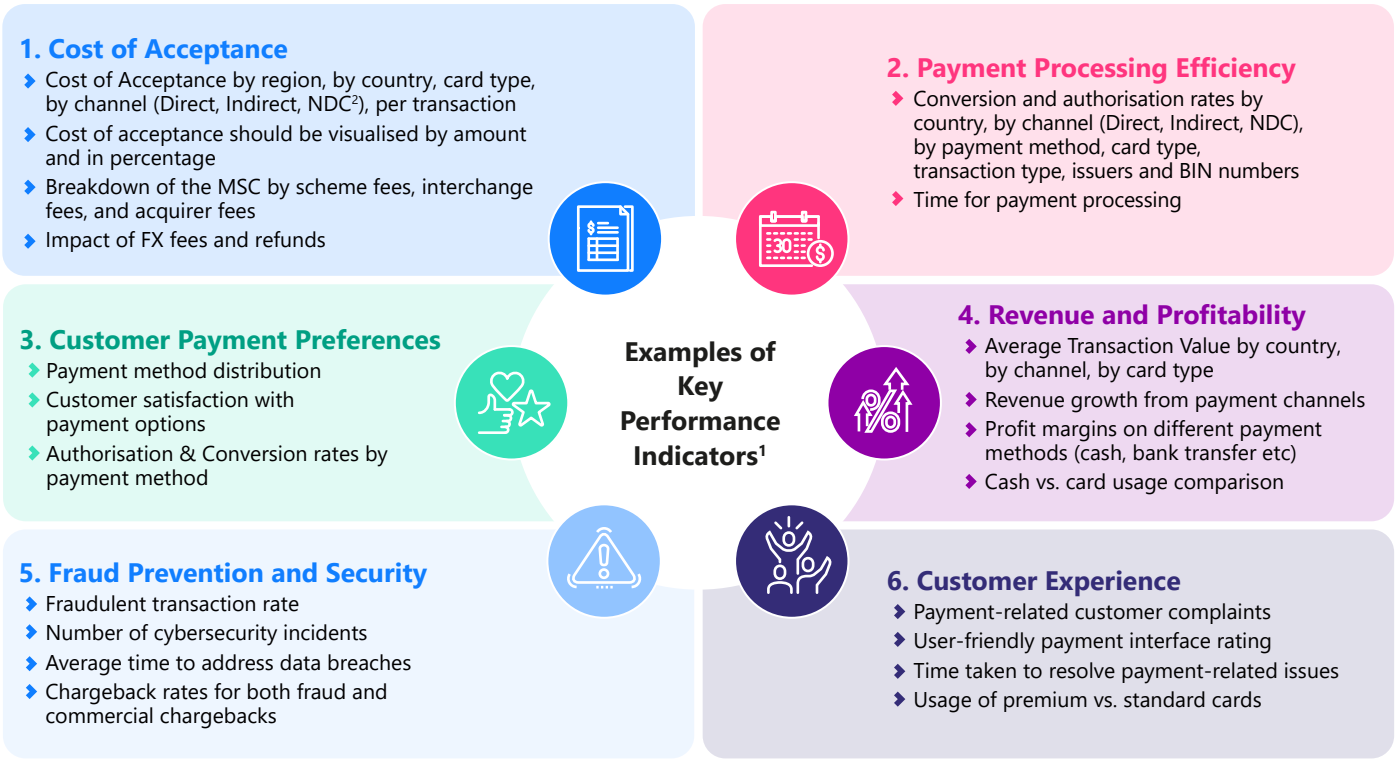
4. Limited visibility for fraud teams

Fraud prevention rules are often created in isolation, without full transaction context. Without access to behavioural or booking data, fraud systems risk blocking legitimate customers (false positives) or failing to detect suspicious patterns. In a global, high-volume environment, this can directly impact conversion: when genuine customers are wrongly declined, they may abandon the purchase or switch to a competitor. Over time, this also creates reputational risk, as repeat customers or corporate clients may lose trust in the airline's booking experience and reliability.

What leading airlines are doing right

Some airlines are already turning payment data into a source of competitive advantage. Best-in-class data management includes:

1. **Centralised payment architecture:** leading carriers consolidate payment data from acquirers, PSPs, fraud prevention tools, and booking platforms. Rather than connecting each internal system directly to external providers, more and more are introducing a payment orchestration layer that acts as a central hub — simplifying integrations, standardising data flows, and enabling unified reporting. This provides a more consistent and accessible foundation for analytics.
2. **Shared KPIs across teams:** data is not reserved for finance. Fraud, commercial, and distribution teams all have access to payment dashboards and insights, enabling cross-functional decisions based on a shared understanding of performance.
3. **Real-time dashboards:** airlines no longer rely solely on monthly reports. Instead, they deploy dashboards tracking key metrics like authorisation rate by issuer, cost per payment method, chargeback trends, and fraud alerts — in near real time.
4. **Automated reconciliation:** top performers leverage rules-based software to automate reconciliation across channels. Instead of manual matching, exceptions are flagged automatically, freeing teams to focus on resolution rather than reporting.



Source: Edgar, Dunn & Company

Notes: 1) This is not an exhaustive list. Each airline should align internally across departments to define and prioritise the most relevant KPIs. 2) NDC = New Distribution Capability

Data as the payment team's best ally

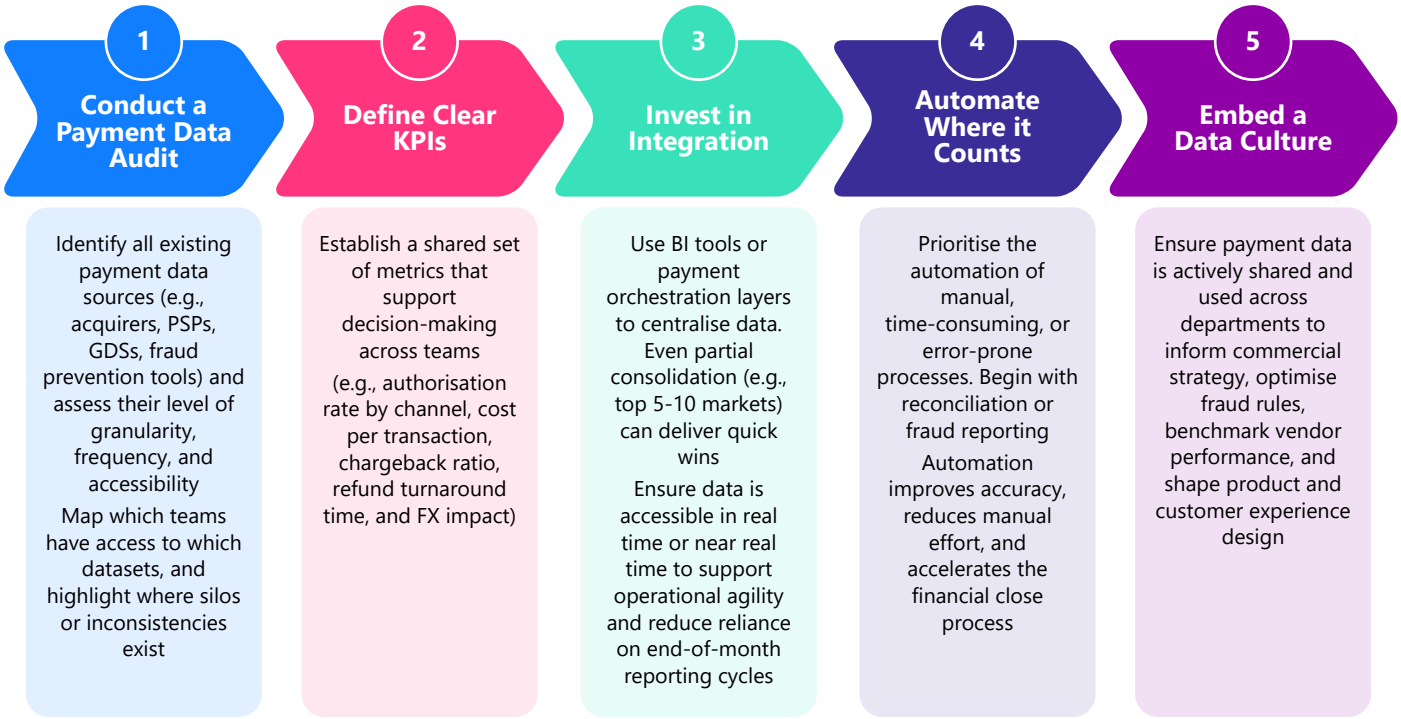
Payment data is more than an operational necessity: it is a strategic asset. Airlines that master data management — across both direct and indirect sales channels — are able to:

1. **Improve conversion:** by monitoring issuer-specific approval rates across channels to uncover friction in both direct (e.g., mobile app) and indirect flows (e.g., bookings via 'OTA', Online Travel Agencies).
2. **Enhance customer experience:** by leveraging data to track failed payments, improve customer service, and analyse refund timelines. This also creates an opportunity to offer the payment methods customers prefer across all transaction types (e.g., ticket sales vs ancillaries) and sales channels (e.g., online, in-app, or at the airport).
3. **Benchmark and negotiate:** by comparing the performance of different payment providers per channel to enable more precise SLAs and volume allocations.
4. **Identify optimisation opportunities:** by tracking cost drivers such as higher-cost payment methods in certain markets, cross-border interchange, and differences across channels (e.g., OTA vs. direct web), airlines can detect inefficiencies that would otherwise remain hidden.
5. **Support shorter month-end closing and improve cashflow visibility:** by enabling accurate reconciliation across payment methods, acquirers, and sales channels, providing better insight into cash positions and settlement delays.



From strategy to action: five steps to build a payment intelligence layer

To shift from fragmented reporting to strategic value, EDC recommends airlines follow five key steps:



Source: Edgar, Dunn & Company

In a payment strategy, everything starts with data. Without timely, reliable, and unified data, efforts to reduce costs, boost approval rates, and enhance customer experience will remain constrained.

Airlines that invest in payment data management can move from reactive firefighting to proactive strategy. With global travel volumes continuing to grow, the ability to monitor and optimise every transaction will be a key differentiator.



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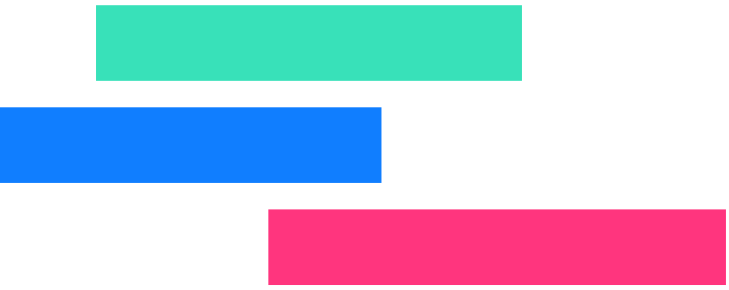
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Innovation & future of payment processes: preparing for what's next

Modern airline retailing driving the next industry transformation

The complex and unique nature of the airline business (e.g., pricing structures, booking processes, different types of intermediaries, ticketing, etc.) led to complex distribution and payment processes. This has historically conditioned airlines' commercialisation strategies, including payments, slowing down their innovation and creating significant differences compared to other e-commerce retailers.

For the past two decades, e-commerce retailers have focused on creating omni-channel strategies placing customers at the centre of their ecosystem and defining optimal user experiences. These e-commerce retailers have followed the same approach to define their payment strategies. Meanwhile, airlines typically lagged behind other industries, with the constraints of legacy systems and processes.

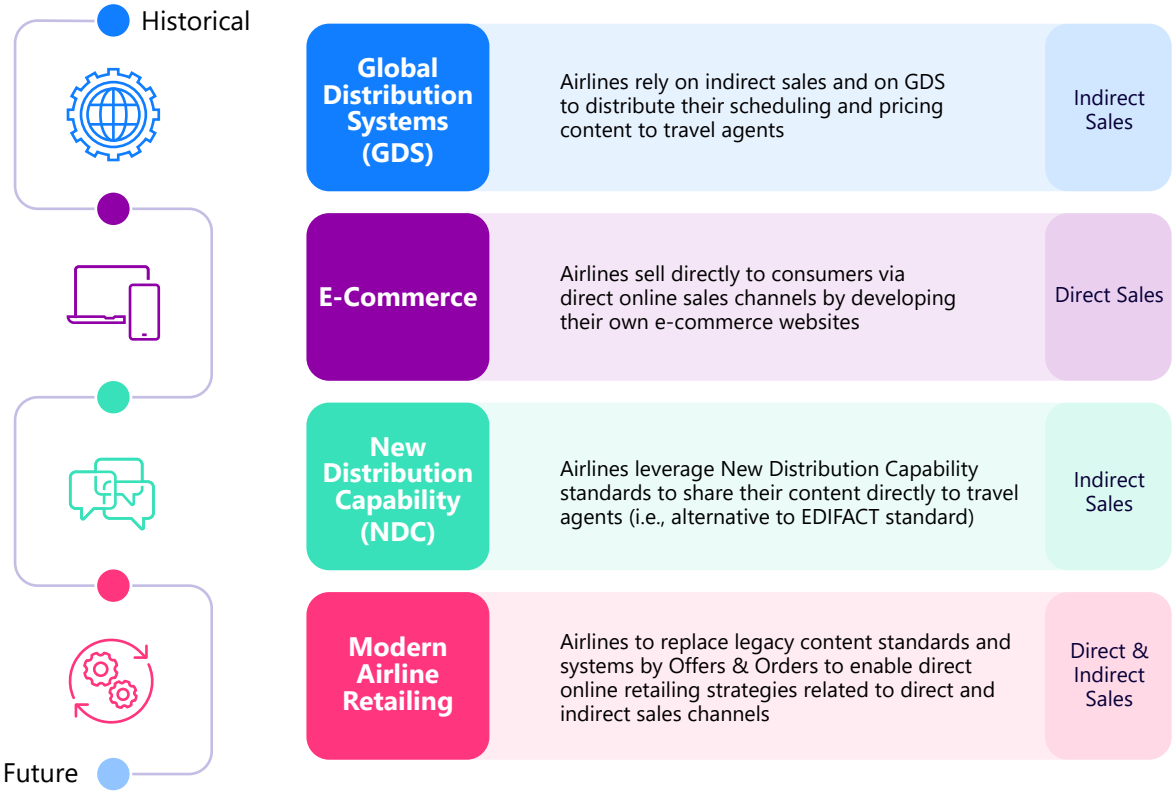


However, in recent years, the "Modern Airline Retailing" framework, promoted by IATA, is encouraging airlines to adopt initiatives to increase airlines' control and flexibility in their distribution channels, allowing them to adopt customer-centric distribution and payment strategies. Within this framework, IATA has developed initiatives such as New Distribution Capability (NDC) and Offers & Orders standards.

Leveraging the NDC standard, airlines can distribute content/product propositions (e.g., fares, ancillaries, bundles) directly to travel agents by using APIs, as alternative to the EDIFACT standard used in sales distributed by Global Distribution Systems. Meanwhile, as a result of the Offers & Orders standards, airlines are expected to directly create customised, dynamic product propositions, offered to customers in real-time based on their profile (referred as "Offer") and move to a single record that captures the customer's purchase, fulfilment, and servicing information (referred as "Order"), replacing existing Passenger Name Records (PNRs), E-Tickets (ETs), and Electronic Miscellaneous Documents (EMDs).

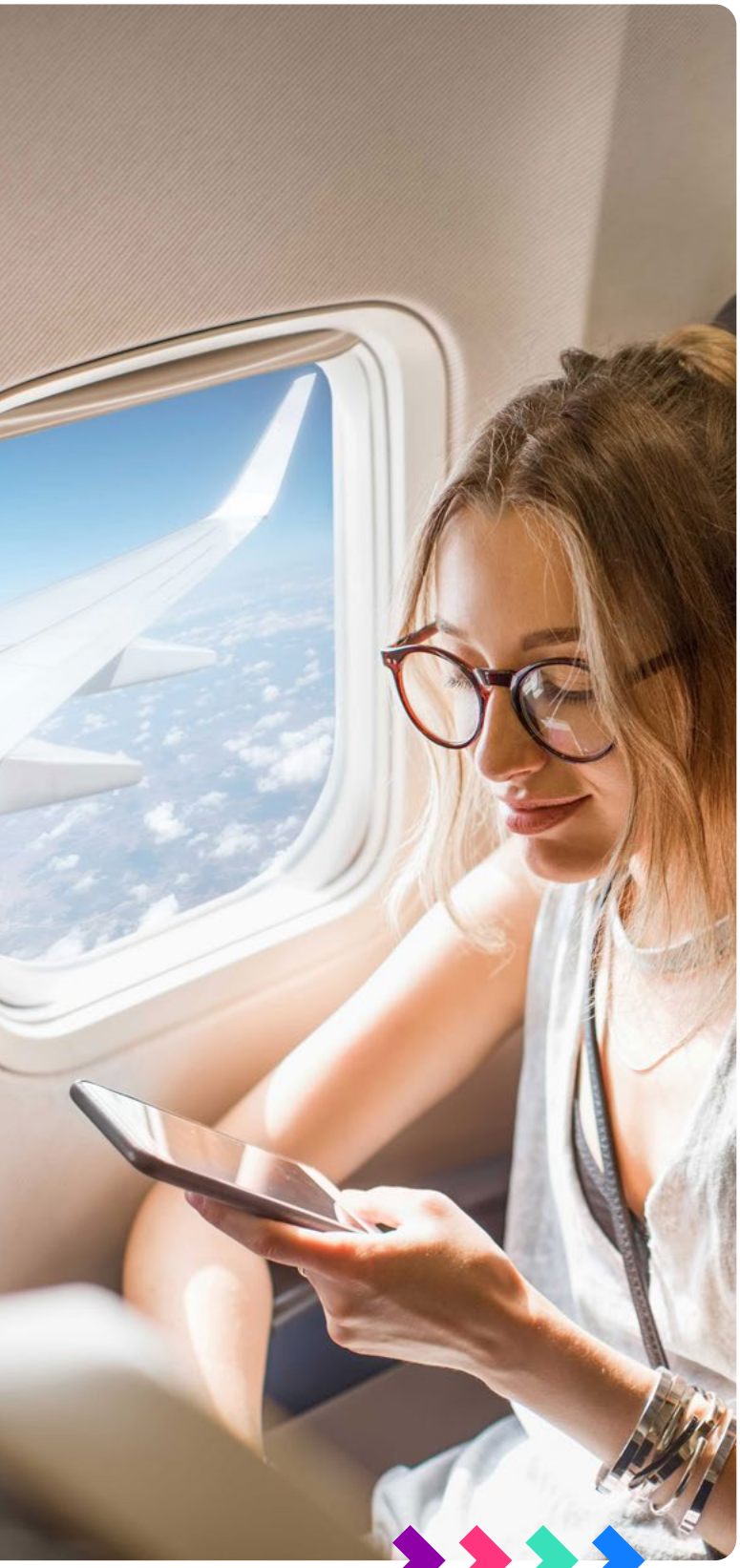
Industry estimates that 81% of airlines were live with NDC as of November 2024. In many cases, NDC has been the first step towards a broader Offers & Orders transformation. In May 2025, Finnair became the first airline to go live with the first "native Order", leading the technology transformation. Other advanced airlines are expected to be ready to start processing Orders in 2026.

Evolution of Airlines Sales Channels



Source: Edgar, Dunn & Company

Despite these initiatives being originally developed from a distribution perspective, their implementation has significant impact on airlines' payments strategy, for both consumer (C2B) and business (B2B) payments. As airlines take more ownership of their distribution channels, they need to carefully assess which are the most suitable payment models to reduce costs, while optimising revenues. Also, embracing the Offers & Orders initiative will require airlines to undertake a significant IT transformation to gradually switchover from legacy systems to product, offer and order management systems, impacting the entire payment technology infrastructure and back-office processes.



The ripple effect on airline payments

Modern Airline Retailing is being implemented as a distribution-first initiative but has also major impacts on payments. Based on EDC's experience, many airlines have not yet defined the future state and transition approach for payment processes.

The implementation of NDC has been a clear example of this trend. EDC has encountered multiple airlines that implemented NDC as a new channel for indirect sales (either directly or via an NDC aggregator), without considering the payment process implications or asking themselves questions such as:

- Who is the merchant of record (MoR)?
- Who manages the authentication, the authorisation and the capture / settlement steps?
- Who manages the payment reporting to travel agents?
- If the travel agent is the MoR, how does the airline receive the funds?

As a result, many airlines have adopted a new distribution channel but inherited the same-old legacy payment processes or rushed into sub-optimal payment situations.

To develop a payment strategy that matches their Modern Airline Retailing ambitions, airlines need to understand the implications of these initiatives across the entire payment value chain.

Modern Airline Retailing Impact on the Payments Value Chain

Partner Relationship

- Evaluate MAR[1] capabilities of existing payment partners
- Review payment-related sections of partnership agreements with travel agents or other travel merchants

Payment Acceptance

- [Direct sales] Adapt payment method based on consumer profiles
- [Indirect sales] Adapt payment methods accepted from travel agents based on the sales channel (NDC vs. GDS)

Front-end / User Experience

- Implement new payment models (e.g., MCP/DCC[2], subscriptions) to be offered based on the consumer profiles

Back-end processes

- Replace capture / settlement processes to adapt to Order processing
- Transform reconciliation and reporting processes to adapt to order-based accounting and ERP

Technology

- Review entire payment technology infrastructure and process flows to adapt to Offer and Order Management systems

Payment Issuance

- Create processes to leverage enhanced information captured in the Order to develop tailored payment issuing programmes

Source: Edgar, Dunn & Company

Notes: 1) MAR = Modern Airline Retailing. 2) DCC = Dynamic Currency Conversion, MCP = Multi-Currency Pricing

Planning for change and building a future-ready payment strategy

Implementing Modern Airline Retailing initiatives is a complex undertaking that requires considerable time and resources. Accordingly, airlines must meticulously define their strategic implementation plan and roadmap including payments. Based on EDC's expertise, there are 5 key steps for airlines to consider:

1. **Set a clear end vision:** Airlines must define their final strategic objective as well as achievable interim targets (including payment KPIs) based on their current situation

2. **Plan ahead:** Airlines aiming to implement initiatives such as Offers & Orders within the next five years should incorporate them into their multi-year payment strategy now, ensuring sufficient time to address the associated complexity and implementation timeline

3. **Assess impacts thoroughly:** To holistically plan for these core changes, airlines should conduct a detailed payment-related impact assessment to anticipate the required changes (e.g., need for new payment vendors, renegotiation of payment contracts, redesign of payment flows including back-office functions such as reconciliation)

4. **Secure long-term sustainability:** If an airline is committed to adopting Modern Airline Retailing initiatives, all subsequent strategic decisions related to payments should be aligned to ensure long-term compatibility with a future Offers & Orders environment

5. **Align internal organisation:** The framework allows airlines to create payment strategies aligned with retailing and distribution objectives. Achieving this will require close coordination among internal teams such as payments, commercial, IT, and finance.

Ambitious transformation is gathering momentum in the airline payment industry, aiming for airlines to become mature retailers, fully in control of their distribution and payments processes. To stay ahead and be ready for what is to come, airlines must begin planning now by developing a future-ready payment strategy.

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Since 1978, we have partnered with our clients to solve challenging strategic problems, providing critical business guidance to accelerate profitable growth.



Experts in Travel Payments

EDC's Travel Payments Practice was set up in 2002 to address the complex payment challenges within the travel ecosystem. Our work spans the entire travel payments ecosystem, giving us an independent and comprehensive view of market dynamics. Our travel payments team is available to support your organisation seeking strategic guidance in this evolving landscape.

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