Demystifying Payments in Travel

Fintech – what is it, and what can it do for your program and your company?

Welcome to 2022, where we are all trying to determine what's up and what's down! The travel industry is still trying to regain its footing given the broad disruptions caused by the pandemic, with many companies using the downturn to improve/enhance their technology offerings. An emerging trend has been the enhancement of payment-related services, promising the ultimate payout – the elimination of the expense report. Payments, previously referenced as "Paytech," now fall under the category of Fintech.

What is Fintech?

At a high level, Fintech is the landscape where financial technology and innovation competes with traditional methods of delivery of financial services. It is an emerging industry that uses technology to improve activities in finance. The use of smartphones for mobile banking, investing, borrowing and cryptocurrency are examples of technologies that make financial services more accessible to the public.

How does it work?

China and India have proven that Fintech platforms, such as Alipay, WeChat Pay and NS Paytm, do work. Western technologies have not reached the same level of adoption and are trailing behind the touchless digital payment wave. Certainly, the pandemic has been driving touchless payments and this alone is leading to the adoption of many of these new technologies. The pandemic, and the subsequent business shift has resulted in numerous mergers and acquisitions within the travel industry. Meanwhile, the ‘travel industry’ space has been identified by many new entrants that have embraced a variety of FinTech solutions to improve services.

What’s the process?

Let’s look at what’s available in North America right now. Many folks who are managing a travel and expense program also manage the corporate card and/or card purchasing. These two forms are examples of physical plastic cards that are provided to employees to use for business travel and entertainment expenses.

In this workflow scenario, the employees charge their corporate cards, input their receipts into an expense reimbursement system tool. Whether they have a card they are paying, or it is a company paid card, the entire workflow is labor intensive and problematic. True, there are ways to simplify expense submissions and use automation to make it as touchless as possible. However, it still relies on the employee to enter the expenses, the manager to approve, and an Accounts Payable resource to audit the completed report. Once the expense reports are audited, they are finalized and posted to the Enterprise Resource Planning System (ERP).

Why virtual touchless payments?

Expense systems for employee reimbursement can be very cumbersome. Eliminating the need for an employee to complete an expense report is equivalent to applying aspirin directly to the pain. It may sound too good to be true – but consider all the factors.

There are options for virtual payment solutions for airfare, hotels, car rentals and ground transportation. These solutions typically involve either one central virtual card to charge or they select a disbursement model to create a virtual account number (VAN) for each transaction. In the example of a hotel booking, the user can book the hotel and a virtual card is attached to the reservation with the rules applied by the company policy. When the trip is complete, the card is charged for the exact amount and automatically reconciled. The audit trail is captured by the virtual payment solution, and both employee and AP enjoy the benefits of automated workflow.

Another area of opportunity is to use your mobile phone wallet to make touchless payments. Most banks offer physical corporate cards that are suitable for use in the Apple wallet, for example. The bank may have the option of issuing virtual cards to the mobile phone wallet for a quick swipe that is touchless and may be auto reconciled.

What about the Big Picture?

While assessing virtual payment options, another key, complimentary area of opportunity is to look at the overall spend of the company. Disbursements are made by Accounts Payable department, and they have been looking for ways to simplify the expense report process for years. AP’s goal is to reconcile payments each month (as quickly as possible) and reduce fraud. It may seem hard to imagine, yet currently some AP departments still use paper receipts to reconcile expenses and have not effectively deployed their expense report systems. Others have expense technology systems installed, such as Concur SAP, Expensify, Emburse, or the like, and have failed to configure them correctly to benefit from the potential automation that would save employees time and improve the experience.

Several different suppliers have emerged from the pandemic with new payment platforms. The goal: Provide a platform that will allow travelers to book their trip, pay for it and not need record an expense report. How? The virtual payments eliminate the need for the employee to enter a receipt, enter a code, or any other traditionally required data. Policy rules are built to automatically approve the charge, route the charge to the appropriate category, reconcile the charge automatically, and post the expenses in real time to the organizations ERP.

It is a lofty goal, and there is a broad disparity in the effectiveness and completeness of any given platform. Many details may be required for seamless integration within a company's existing systems.

Maximize Benefits Beyond Travel
When we look at travel spend alone and how to solve the payment arena, we may be leaving out the largest piece of the spend pie, the AP disbursements to other suppliers. Analyze your total spend for the year to see if there is any opportunity to move check, ACH or wire payments to an electronic payment.

Assess your current payment program today to find out where you are on the spectrum. Involve stakeholders from Travel, Expense, AP, Finance, Treasury, Risk, Legal and Operations to identify their goals.

Consider that the contracts with suppliers may contain language that do not allow electronic payments. When researching where you are today, make note of any contracts that may need to be renegotiated. Banks charge fees for virtual/electronic transactions so the savings on the method of payment may outweigh the desire to move to electronic payments.

After you analyze the file, you will see the true return on the investment to introduce FinTech solutions. Once this is complete, you may be able to research options for virtual payment platforms that truly cover the total spend of the organization. When negotiating with the payment provider, the bank will offer an annual rebate. Depending on the amount and the type of spend, a rebate back to the business is calculated. Any outstanding balances due may be included in the calculation at the end of the year.

When negotiating an annual rebate (based on spend) some companies ask for a monthly report to ensure they are on track to get their rebate. The annual rebates in North America typically range from

1.5 percent to about 4 percent of total spend. As much as we strive for global solutions, it is important to keep in mind that any services utilized will need to conform to local country tax codes and applicable laws.

Yes, it is a new world we are facing today – new challenges, new opportunities, and new services. The goal in AP electronic payments has not changed – but is perhaps more attainable than ever.

1. Reduce manual payments
2. Automate to eliminate wasted resources, improve efficiency
3. Eliminate fraud
4. Increase speed to close AP books
5. Increase rebate
6. Improve employee satisfaction

These steps allow the organization to work its magic of maximizing working capital. And that is music to your CFO's ears.

By assessing, implementing and deploying these new FinTech tools, one can come very close to achieving these organizational goals and making a positive impact on the company's bottom line.

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