

WEX Europe

The Emergence of Virtual Card Payments in Travel



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Agenda

- Introduction
- Virtual Cards
- Travel Payments
- Paying Hotels and Airlines



Virtual Cards: A New Approach

Virtual Payments

- One time use secure account number
- Global payment platform
- Real-time processing
- Transaction specific controls
- Enhanced data quality

Company Benefits

- Reduction in fraud and misuse
- Financial rebate incentive
- Timely transfer of funds globally
- Automation of reconciliation
- Cost and process improvement

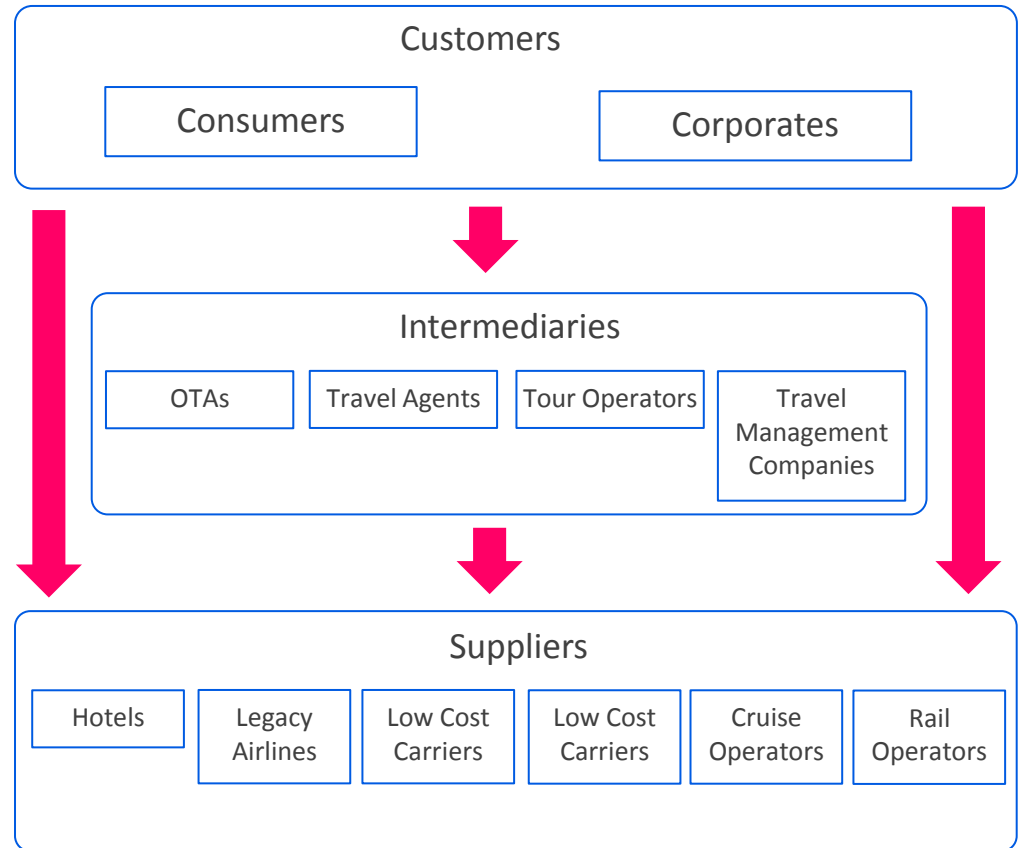
Supplier Benefits

- Simplification of invoicing process
- Faster payment of receipts
- Simple, intuitive
- International fees reduced
- No hardware/software installation



Value Chain Summary – The Role of Suppliers & Intermediaries

- The Global travel market will be worth around \$1.3 trillion in 2015
- Confidence has returned to most markets following the downturn.
- Online channels now account for around one third of booking value
- Suppliers are heavily pushing online direct channels however.....
- Intermediaries account for an estimated 70% of booking value

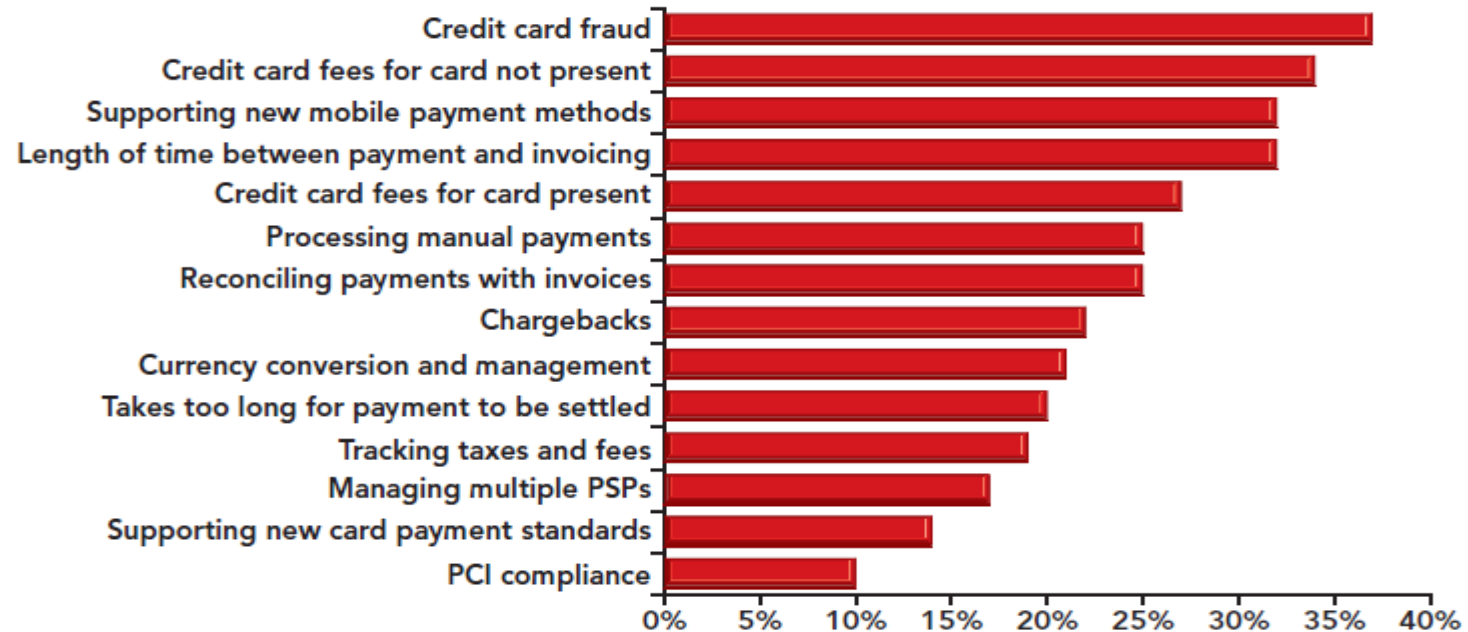


Travel Market Complexity & the Growing Importance of Online

- Most sectors feature a complex mix of business models with variation in the booking and settlement processes
- This is driven by a combination of intermediary/supplier preference and bargaining power
- Most travel companies adopt business models and processes designed to optimise cash flow and minimise other business risks
- Key risks include agent and supplier default, exchange rate and fraud
- Credit cards are used for the majority of B2C transactions
 - 80%+ in North America and 50% + in Western Europe
- Bank transfer is the most common B2B settlement method however cards are widely used in some sectors (for example Corporate and Airline bookings in North America)
- Virtual card usage is growing rapidly in North America and Western Europe



Travel Payment Concerns



Question: Which of the following would you consider to be major challenges with regard to managing payments for your organization? Select all that apply.

Base: 1,244 respondents

Source: PhoCusWright's *Payment Unsettled: Cost, Opportunity and Disruption in Travel's Complex Payment Landscape*

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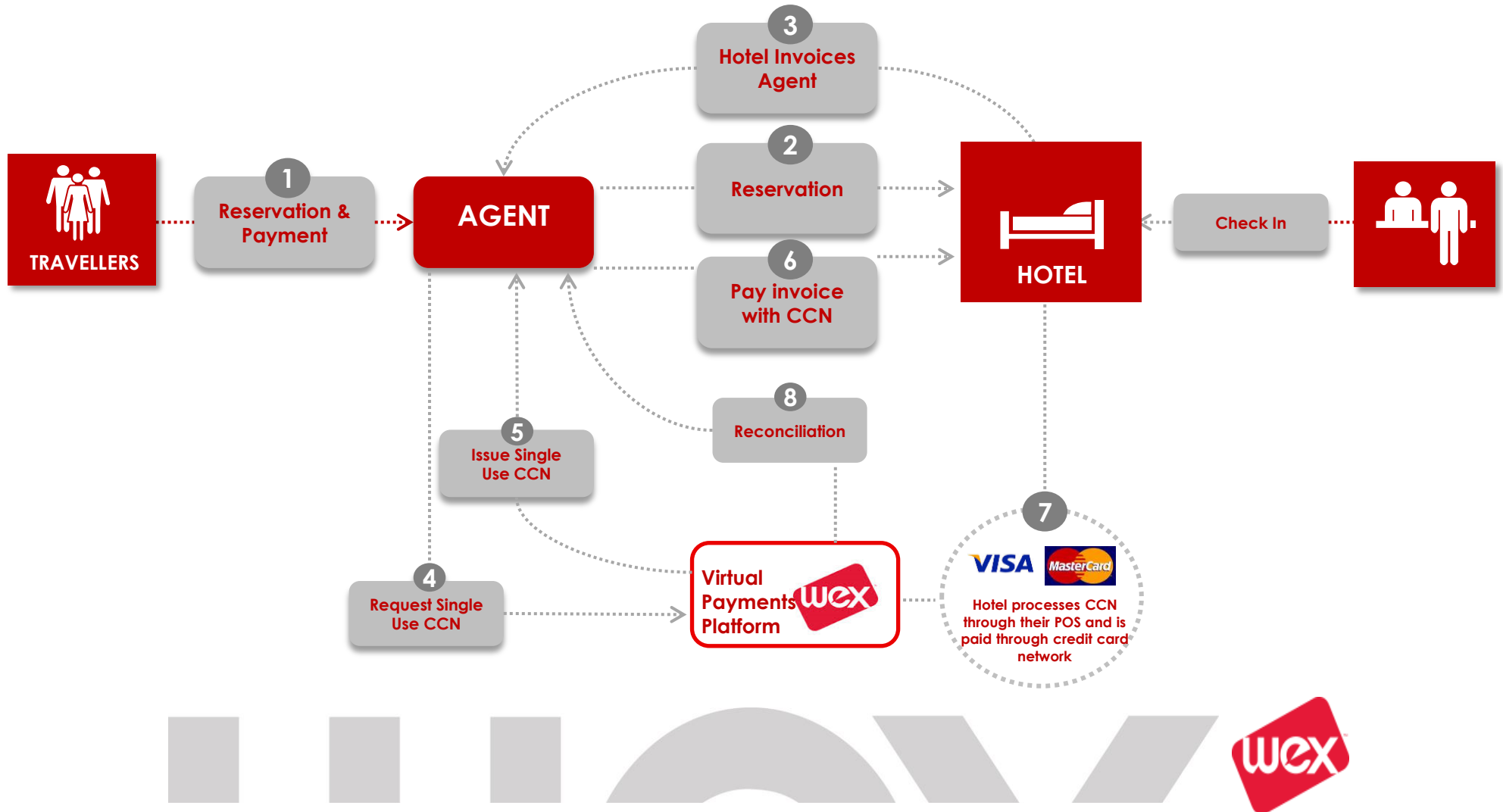


Virtual Cards in travel-benefits?

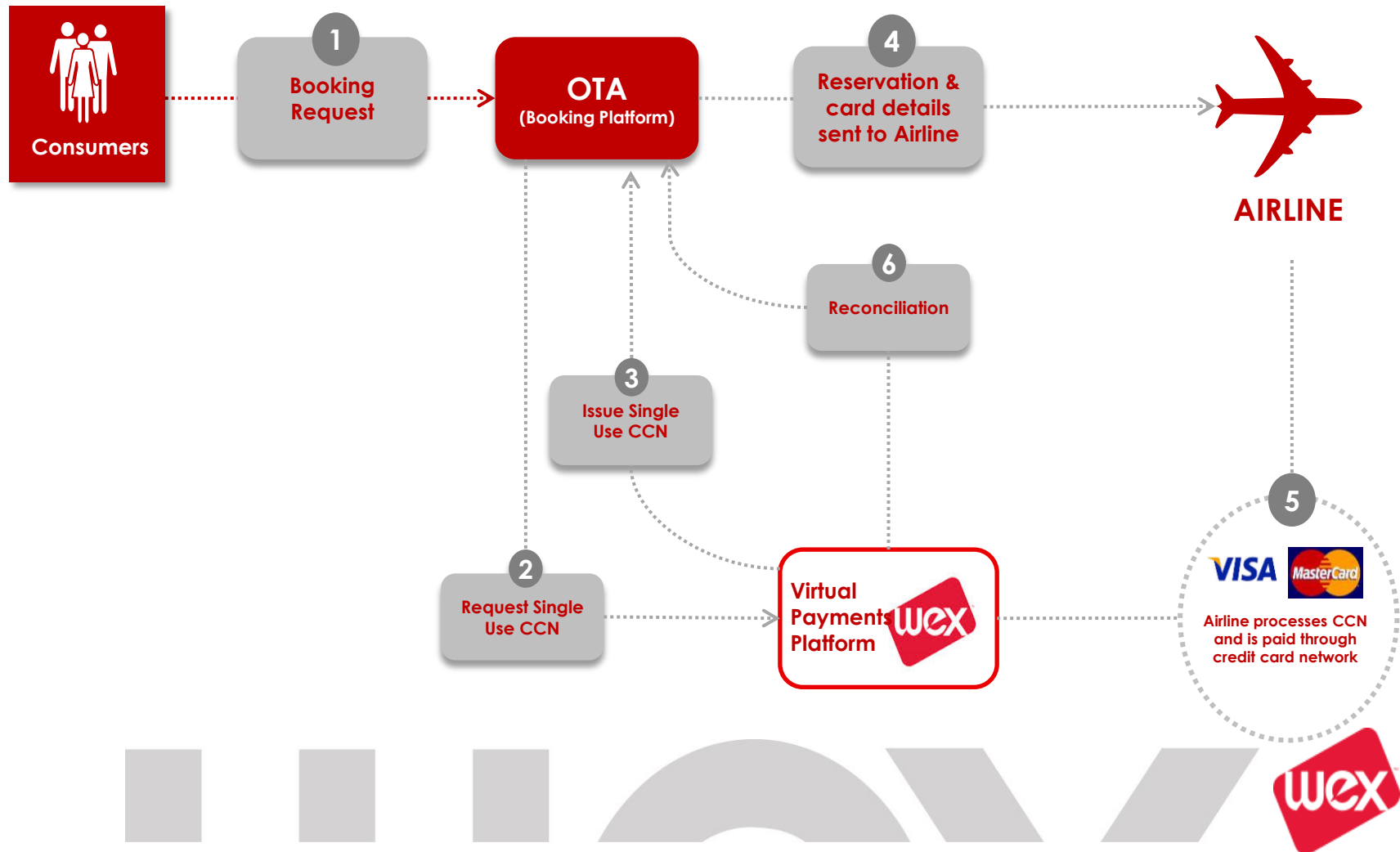
- Disaggregated supply chain
- More control on payments
- Reduce bank fees
- Reduce security risks involved with cash and transfer fraud
- Raising a virtual card is often cheaper than sending international SWIFT or BACS payments
- Save time and money
- Revenue earner



How does it work? *Paying hotel invoices*



How does it work? *Booking Flights*



Hotel Model – Best practice: Expedia Case Study



55 million transactions

111,000+ vendors
worldwide

International bookings
30% of volume

The Problem

- Reconciliation process was laborious and resource intensive
- International payments handled by Cheque or Wire

The Goal

- No recycled account numbers
- Network reliability
- Scalability to keep pace with growing international business
- Reduced accounting resources and other administrative costs

Benefits realised

- Reduced headcount by 30%, as booking volume increased 61%
- Reduced cheque & wire payments
- Improved efficiency by uniting domestic & international payments
- Improved vendor relationships

“WEX went above and beyond to make sure our needs were always met.”

- *Danielle Huber, Senior Director of Expedia's Financial Operations*






WEX Europe TRAVEL PAYMENTS

CREDIT

DEBIT

PREPAID

			
Target			
Terms	Post booking	At booking	All uses
Funding	OTA pays later	Prefunded	Prefunded
Currencies	16	3	6
Charge for cards	No	Yes- per card	No
Rebates available	✓	No	✓
Single Use cards	✓	✓	✓
Reconciliation	✓	✓	✓



WEX Virtual Card: Global Growth

