



## **ePayment – The next generation**

eConference 2007

Singapore, 06 September 2007

## Payment: The bad news ...

Full cost of accepting traditional cards: \$ 12.50 per ticket  
(Edgar Dunn study for IATA, Oct 2006)

E-Commerce is growing, but so is Credit Card Fraud

- Credit card fraud now the biggest threat for fraud
- Average loss of 1 Mio USD / year per airline (IAAIA figures 2006)
- Fraud related loss has increased five-fold since 2000

BSP process is unable to effectively support online tradesites

- Slow cash-flow turnaround
- No effective measures to prevent agents from “overspending”
- BSP cycles insufficient for real-time reporting or reconciliation

## Payment: The good news ...

Next generation of Payment Solutions will improve

- Acceptance of alternate forms of Payment
  - Handling of travel agent payments (IATA & Non-IATA agents)
  - Credit Limit Management / Travel Agent relationship mngmt
  - Fraud Protection
  - Integration with Passenger Service Systems
  - Reporting & Reconciliation
- 
- They will offer
    - cost-reduction opportunities and
    - revenue opportunities for airlines

## **Alternate forms of payment for consumer payments**

**Settlement of Travel Agent Payments**

**Fraud Prevention**

**PSS Integration & Real-time reporting**



## Alternate Forms of Payment give customers a choice

- Possibility to optimize payment mix through acceptance of alternate forms of Payment
  - Debit cards
  - Prepaid/Stored Value Cards
  - EFT (Electronic Fund Transfer)
  - Buy-Online/Pay-Offline
  - Paypal
  - Bill-me-later
  - ...
- Addtl. forms of payment will result in better customer experience
  - Customers have choice
  - Regional differentiation possible
- ... and have the potential to reduce your costs of payment

## Determine the full costs of payment

Analysis required to determine the full costs of form of payment

- Direct costs, fees per tx/payment
- Joining fees
- Recurring fees (Maintenance, Membership & Subscription fees)
- Additional/other (admin) fees charged by provider
- Liquidity costs (cash flow turnaround)
- Process costs for handling / collecting payments
- Process costs for handling refunds
- Exposure to fraud
- Other risks connected to form of payment

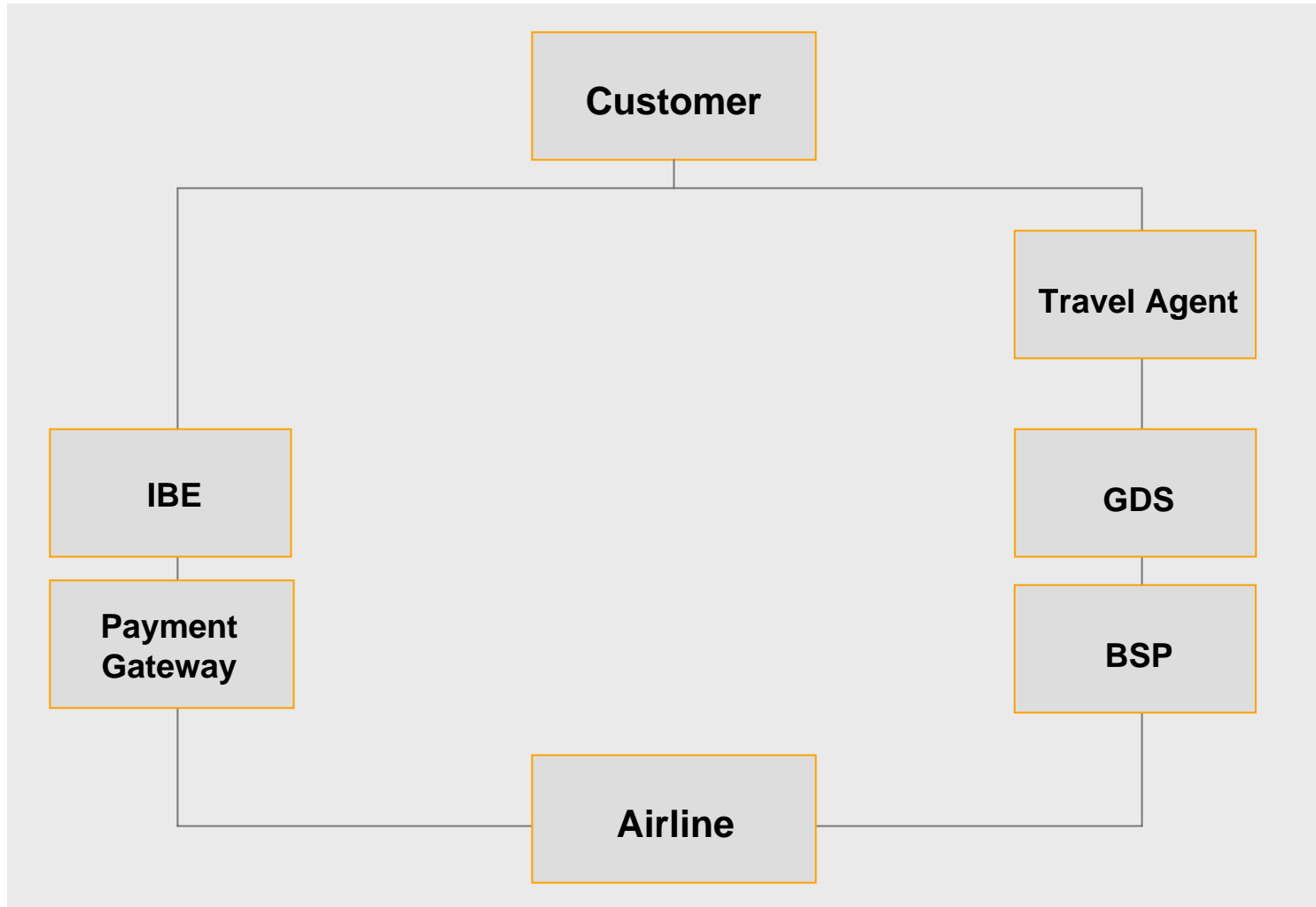
**Alternate forms of payment for consumer payments**

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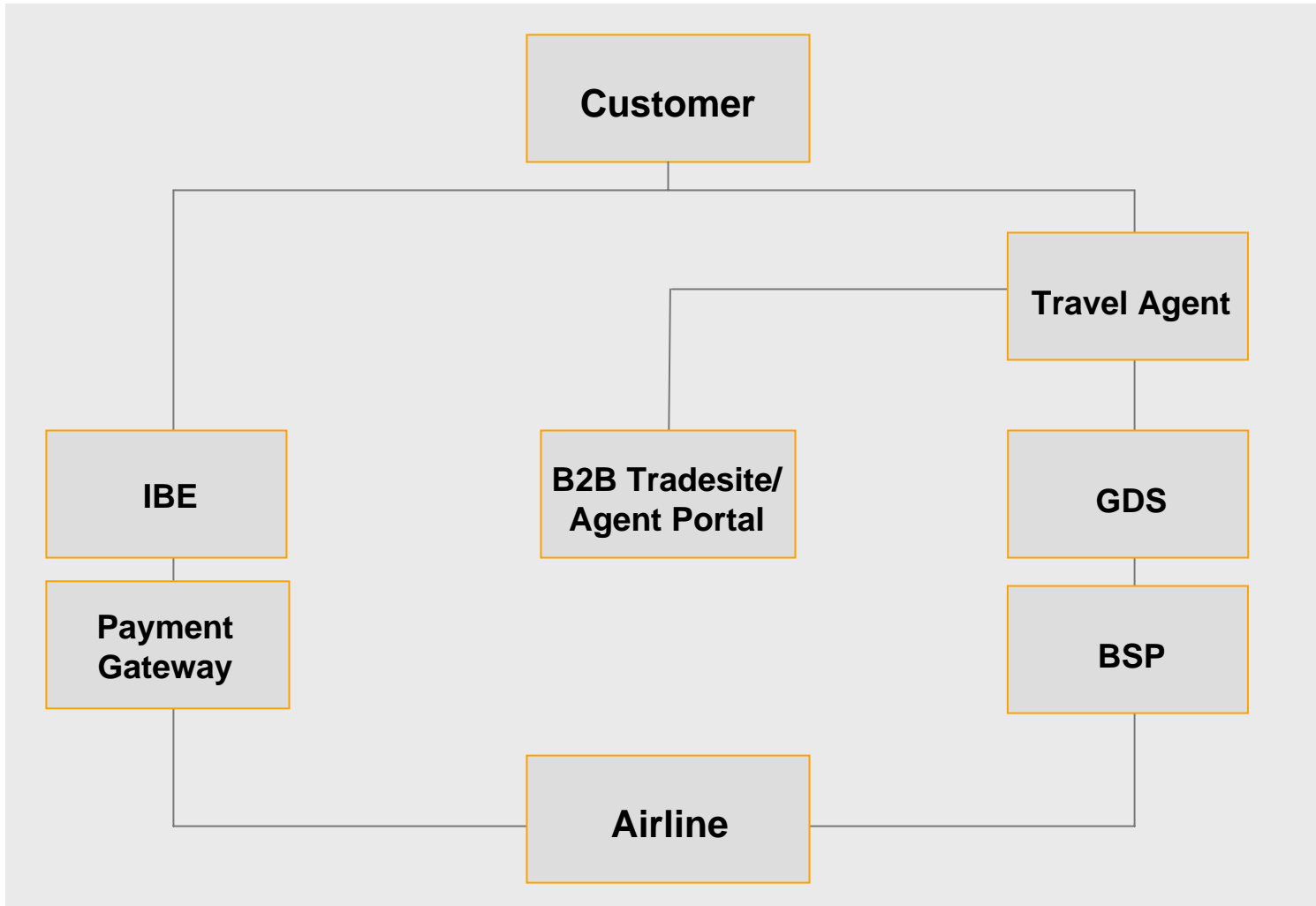
**Fraud Prevention**

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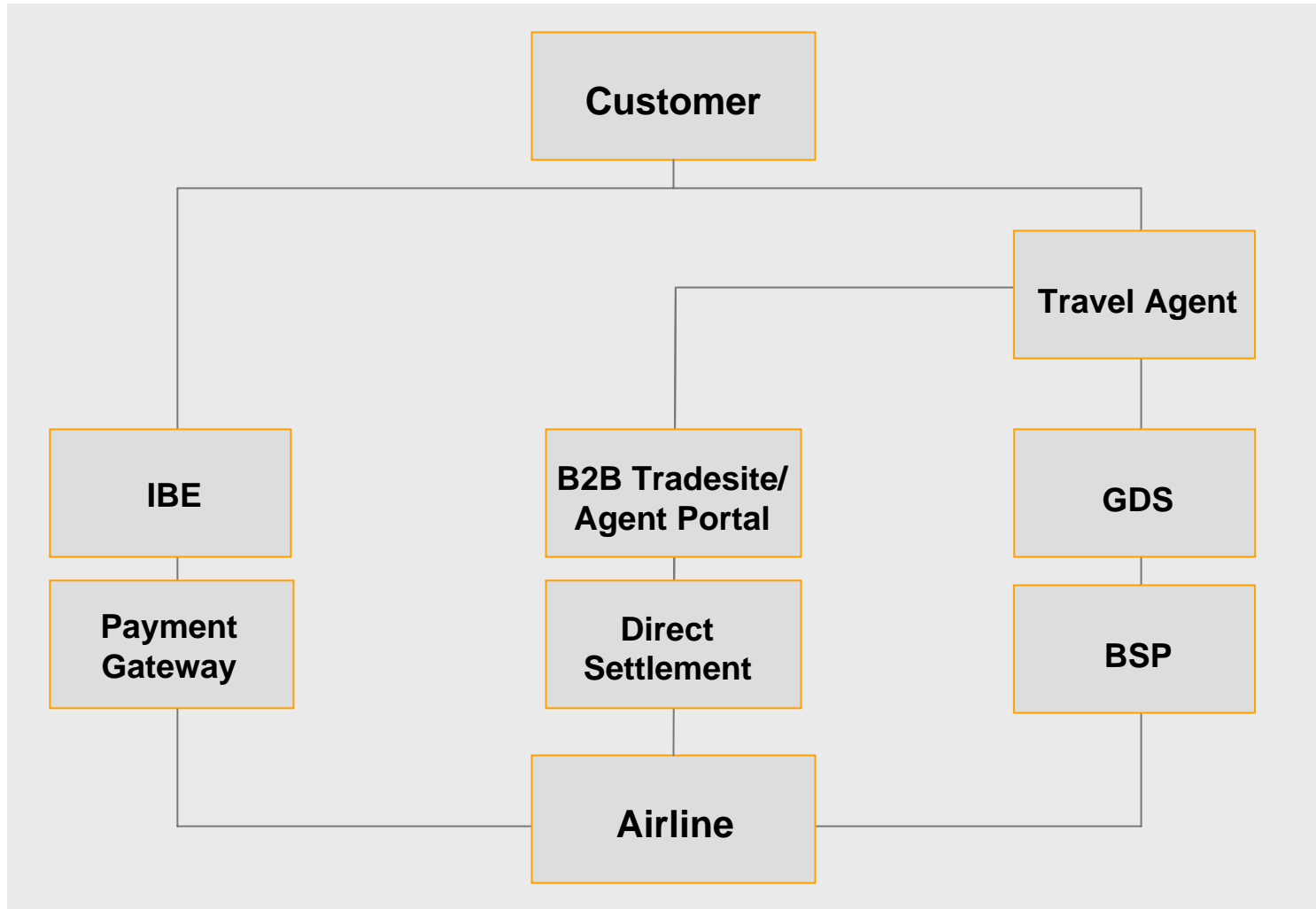
# Today: Distribution & Payment for direct/indirect channel



# Distribution & Payment via an Airline Tradesite



# Support of Direct Settlement (BSP Bypass)



## Improvements through ePayment by Travel Agents

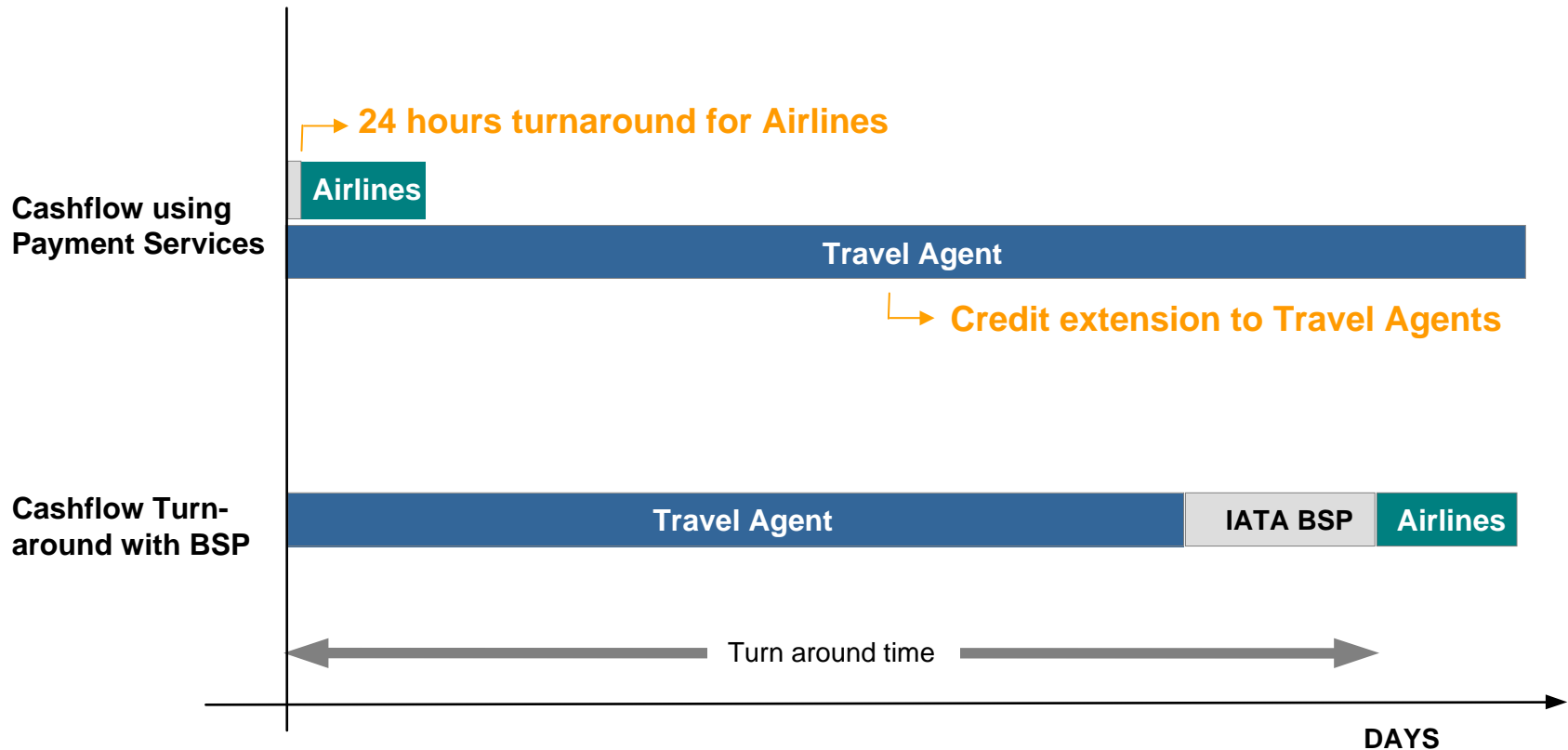
- Faster cash-flow turnaround for airlines
    - Settlement on day-of-ticketing becomes reality
  - Worldwide coverage (BSP- and NonBSP-markets)
    - Manual collection and reconciliation eliminated
  - One solution for IATA & Non-IATA agents
    - Chance to avoid consolidators & streamline processes
  - Savings on BSP fees for some or all markets
- ➔ Sustainable benefits for Airlines through direct settlement !

## Direct Settlement using Virtual Account Numbers

- A Virtual Account Number (VAN) is a virtual, alternative instrument developed to facilitate purchases safely and securely
  - One-time use
  - Mitigated Fraud-risk



# Direct Settlement using Virtual Account Numbers results in faster cash-flow turnaround & extended credit for T/A's



# Credit Limit Management

New Payment Services provide airlines with more flexibility

- Support of real-time credit limit checks
  - prevents agents from overspending
- Support of flexible credit terms
  - time limit
  - \$ limit
- Support of Prepaid models
  - No-Risk approach for Non-IATA agents
  - Immediate availability of funds for agents (no bonds/bank guarantees)

 Airlines are back in control !



# Lower risk with full credit limit management

Enterprise Systems | Airline Payment Solution

1 Search   2 Select   3 Review   4 Purchase   5 Confirmation

### Passenger information

Names should match the photo ID that will be presented at check-in.  
(\* = Mandatory field)

Adult 1   Title: Mr   First Name: Royson   Family Name: Tan   Frequent Flyer Programme: Not a Member   Frequent Flyer Number:

### Contact Details:

This may be used to contact the principal passenger about last minute flight updates. Last minute contact provided. (\* = Mandatory fields).

Contact Telephone   Phone Type: Mobile   Phone Number: 65 - 99999999

Email - reservation confirmation will be sent to this address

Email Address:   Confirm Email:

Payment details and ticket delivery: 868.44 (EUR) [View amount in another currency](#)

### PAYMENT OPTIONS

Registered LSY Payment Solution

Check Funds:

Credit Card

Cardholder Name:   Card Number:   CVV / CVC / CIN:   Expiry Date: 01 / 2006

Authorise Card:

Member	From - To	Departing	Arriving	Class
SN3727	Brussels - Madrid	18/08 14:40	18/08 17:10	Business

Passenger	Original Fare (EUR)	Taxes (EUR)	Fees (EUR)	Number of passengers	Total (EUR)
Adult	825.00	38.44	5.00	1	868.44

Amount: 868.44 (EUR)

### TICKET DELIVERY

E-Ticket  
E-ticket is a paperless electronic ticket. With an e-ticket you can go straight to check-in on the day of departure. [More Information](#)

### PAYMENT OPTIONS

Registered LSY Payment Solution

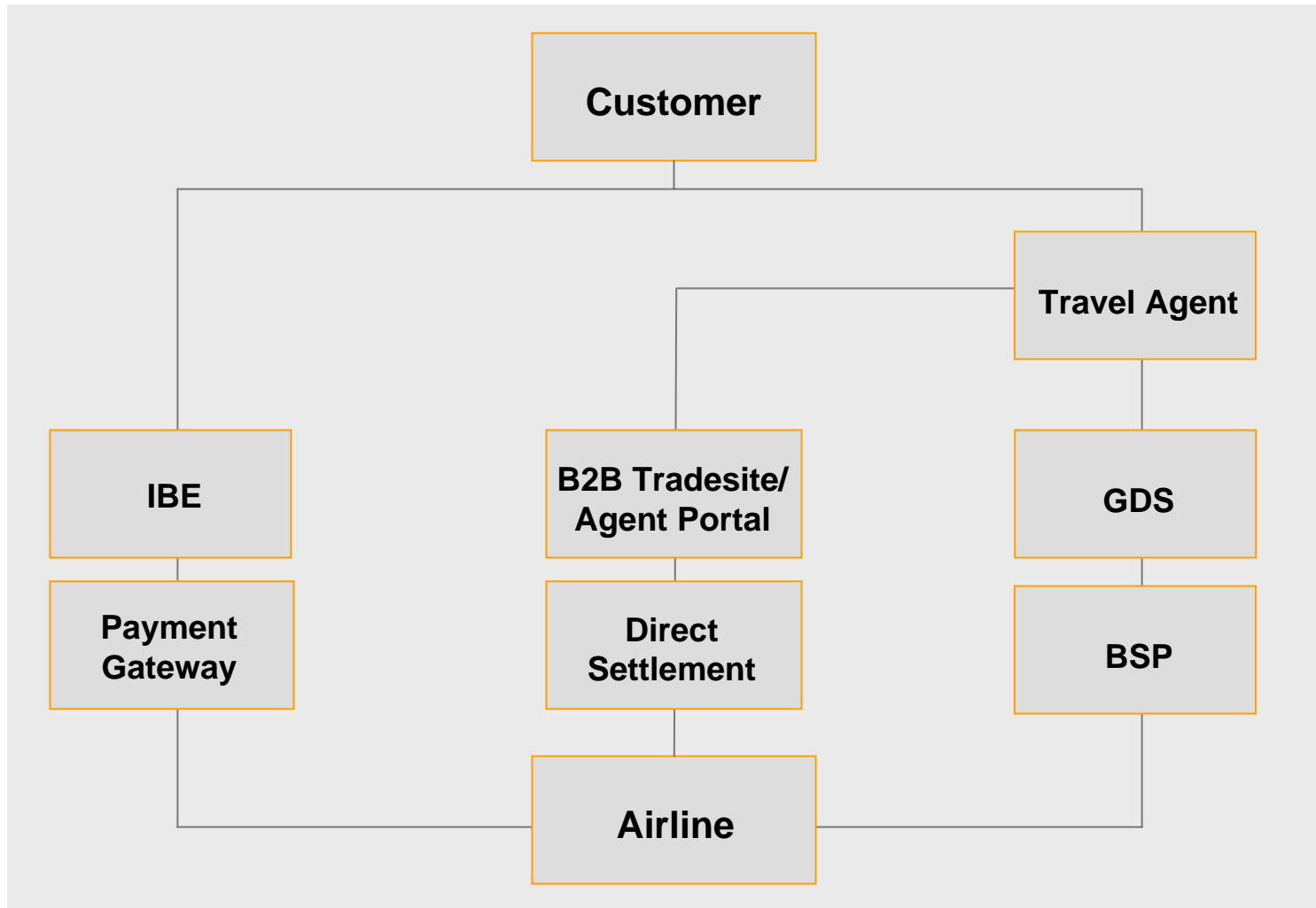
Check Funds:

Credit Check Result: Sufficient Credit

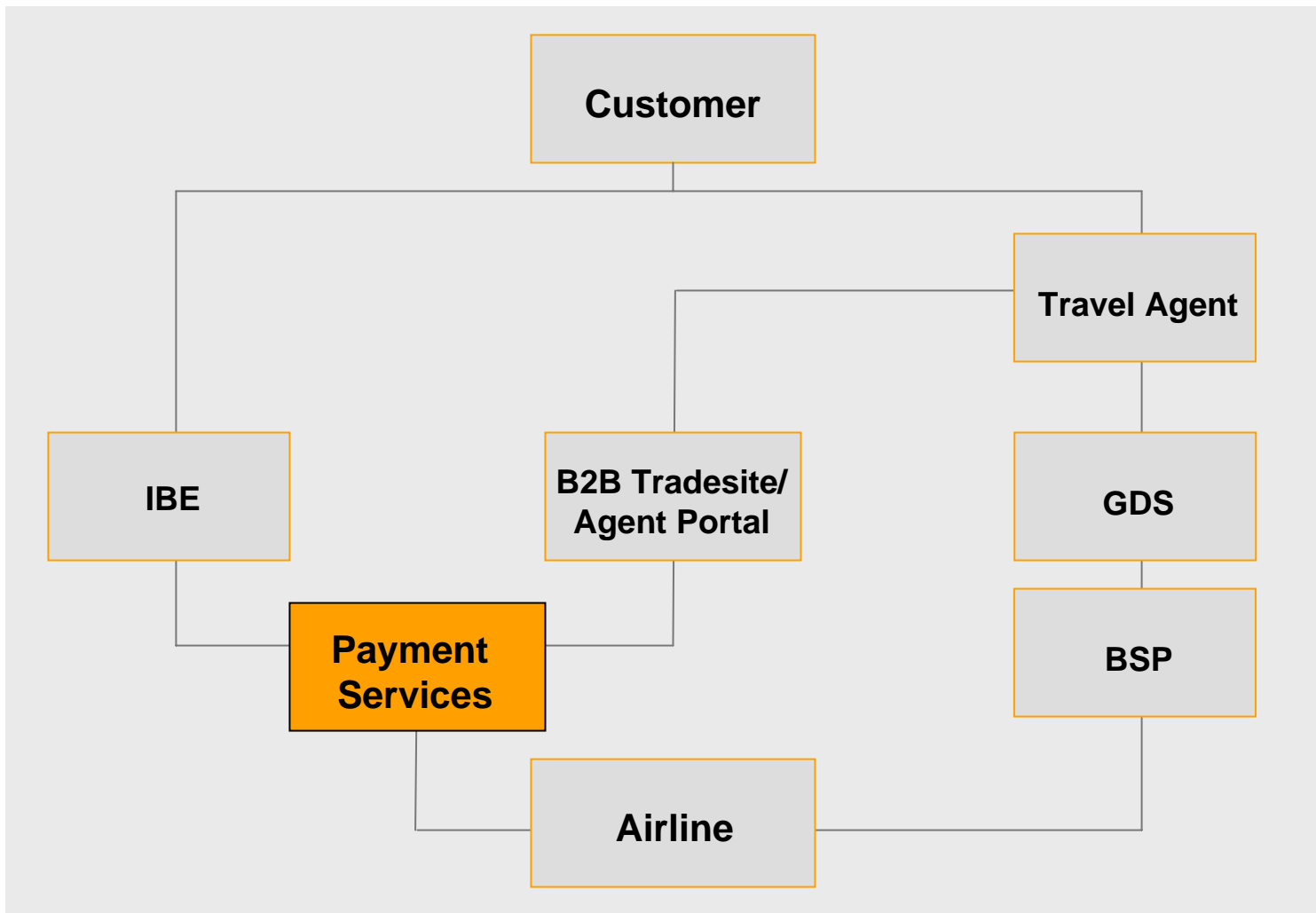
Processing Result: Successful

Authorisation ID: 000037

# Support of Direct Settlement (BSP Bypass)



# Payment Services: One solution for all direct channels



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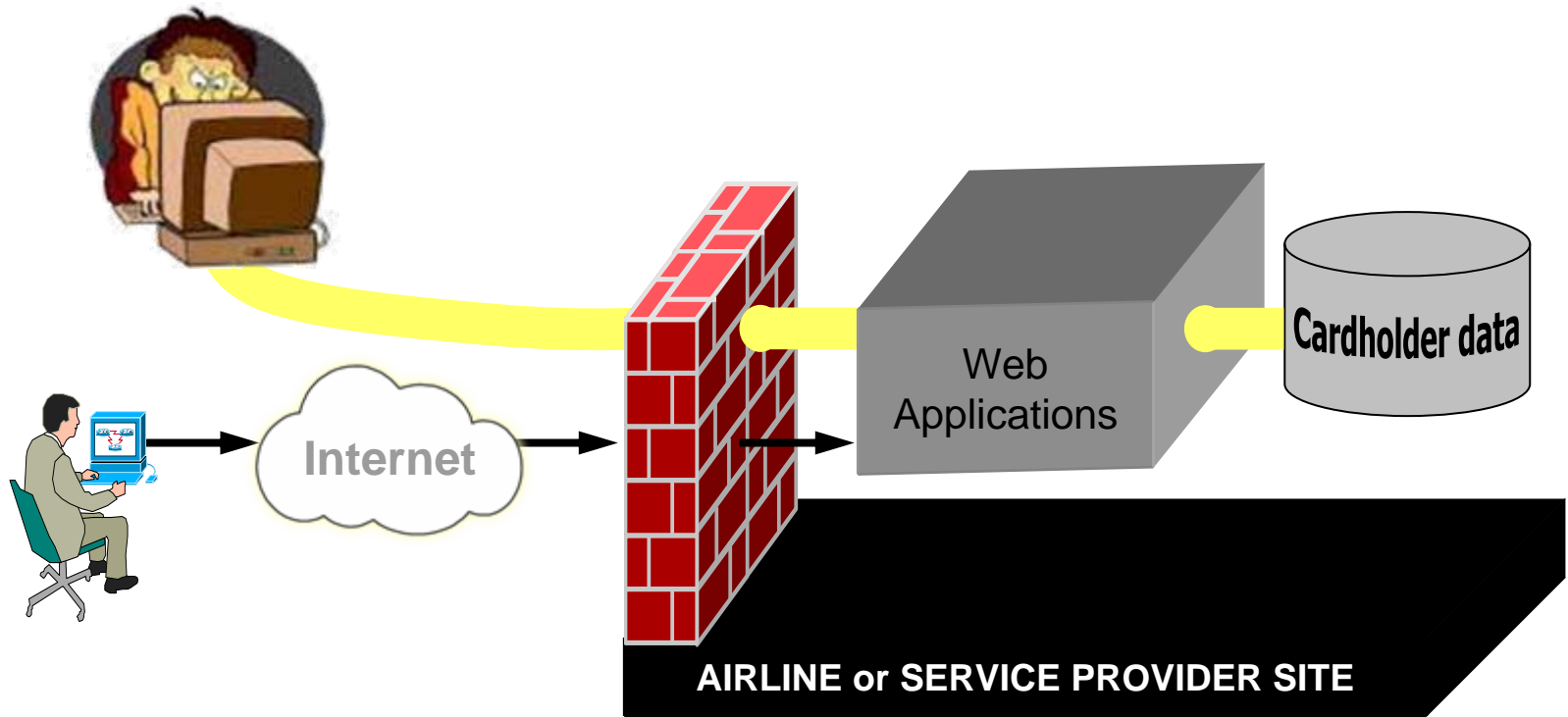
**PSS Integration & Real-time reporting**

## Fraud protection - Addressing the security concerns

With growth in E-Commerce come major security concerns. Programs have been developed to address the two major issues:

- **Fraudulent use of cards over the internet**
  - Provide protection to cardholders against unauthorized use of their cards
  - Provide protection to merchants against fraudulent transactions
  
- **Protection of cardholder data**
  - Payment Card Industry Data Security Standards (PCI DSS) compliance
    - Security standard for all businesses that transmit, process or store sensitive credit card data
  - Basis for merchant fee re-negotiation

# Payment Card Industry – Data Security Standard



Hackers exploit vulnerabilities where card data needs to be stored or processed

## Fraud protection - Addressing the security concerns

- PCI standard compliancy
- Cardholder authentication support: CVC check and 3D Secure

**MasterCard**  
**SecureCode**

Verified by  
**VISA**

JCB J-Secure

- Integrated tools for fraud protection / risk management available
  - Blacklist / Whitelist functionality
  - Access to online fraud monitoring service/databases
  - Ability to detect fraudster attempting purchases across multiple airlines or industries



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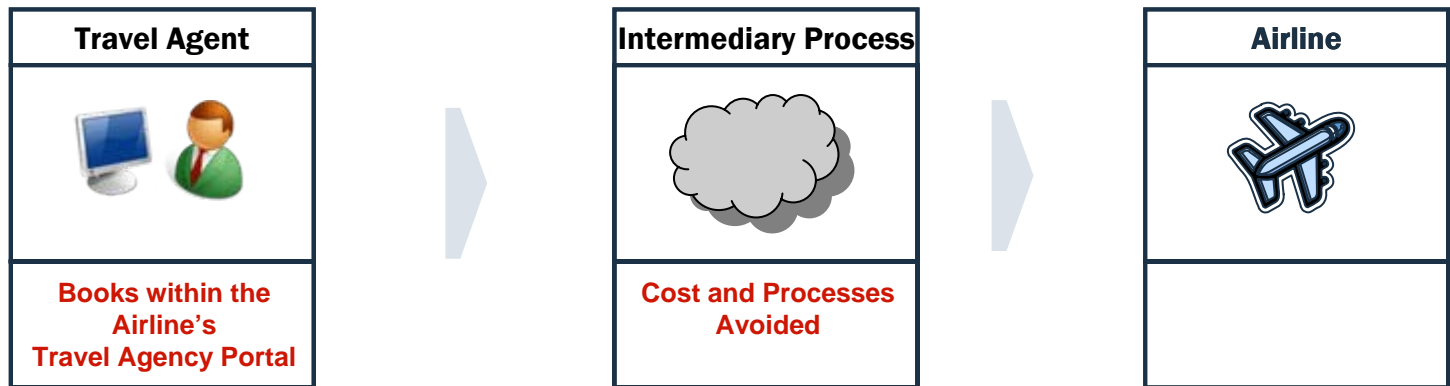
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# Integration with Passenger Service Systems

- Closer integration with Passenger Service Systems
  - Payment is no longer isolated module
  - Availability of flight/pax-related info with payment transaction
  - Quicker & easier evaluation of charge-back requests
  - Reconciliation between ticket-sold & payments-received
- Closer integration with Airline Tradesites (IBE's for B2B-partner)
  - Improved revenue integrity through integration of booking, electronic ticket issuance and payment

# Opportunity: Integration with Airline Tradesite (agency portal)



## Travel Agent Portal Delivers

- No GDS Segment & Ticketing Fees
- Revenue Integrity
- Direct Reach to Non-IATA Agencies
- Removal of ADMs & Sales Audit

## Virtual Account Numbers Deliver

- Cash Flow Savings
- Reduction/Elimination of BSP costs
- Competitive Differentiation
- Channel Differentiation
- Reduced Operational Costs

## Improved Reporting & Reconciliation

- Payments for all direct sales transactions consolidated in ONE online reporting & reconciliation system
  - Support of all markets worldwide
  - Support of all currencies
  - Support of all direct distribution channels
  - Full audit trail
  
- Availability of flight/pax-related data (enhanced data) with payment transaction
  - streamlined reconciliation & dispute handling
  
- ➔ Access to consolidated payment information in realtime !

## Summary

- New payment models have emerged that significantly transform the effectiveness of airline distribution. They provide opportunities
  - to improve airline payment processes
  - to reduce risk and exposure to fraud
  - to lower payment costs
  - to improve customers' payment experience
  - to increase airline revenues
- Payment will no longer be a separated module but becomes an integrated part of Passenger Service Processes
- Lufthansa Systems' offers a NextGen Payment Services solution which is ready for integration into your existing PSS environment

**Thank you !**

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6 November, 2007  
Chart 27

