This American Express whitepaper will help travel companies determine whether their current payment system can support their future business goals, and if not, how to choose a solution that will help them make their business more successful.

Introduction

Many travel companies today still employ outdated payment strategies, relying on checks and personal or corporate credit cards to settle their accounts. Not only does this expose them to fraud, breakage and reconciliation delays, it can also limit their ability to work with larger hotels and other vendors who are beginning to require virtual credit card systems as a basis for doing business.

Savvy companies are recognizing the shortcomings of their current models and looking for more robust solutions that will help them gain efficiencies, reduce errors, improve cash flow management and generate revenues across the business.
Older systems risk fraud, waste

For years, travel companies have relied on old-fashioned payment models to process their transactions. And for a long time it worked.

Stephanie Turner, president and second-generation owner of Brentwood Travel Service in St. Louis, MO remembers when all of her customers paid by check, and she in turn paid her vendors through direct billing and paper checks. But times changed, and over the years more customers and vendors started preferring credit card payments.

Turner’s team began accepting both forms of payment, and started using a corporate card to pay some vendors, which made the reconciliation more complicated and time-consuming.

“Human error is always the biggest challenge,” Turner says. “Sometimes a commission shows up where there is no record, or an invoice comes in for more or less than expected.”
She has a team of accounting people who watch invoices “like a hawk,” addressing any issues as they arise. They also run monthly reports and periodic audits to verify transaction accuracy. But like many travel companies in the industry, this adds time and busy work for her team. “Our system could be more sophisticated,” she says. “Technology is moving faster and faster and we need to keep improving.”

Brentwood isn’t alone. According to an October 2013 travel spending report from PhoCusWright, roughly 40 percent of hotel bookings today are still settled through direct billing with manual payment. And more than half of all traditional travel agencies and nearly 40 percent of Online Travel Agencies manually track all bookings, invoices and accounts receivable.

These companies report spending more staff resources handling invoice reconciliation and payment than on any other payment-related process. They also report having trouble collecting commissions. One in five say they have lost commissions on as much as 10 percent of their hotel bookings, which researchers attribute to their use of manual accounting practices.

Even when they use corporate cards to pay vendors, they expose themselves to fraud and unintentional payment errors, says Tami O’Quinn, an American Express manager of account development for large Online Travel Agencies. Every time you give your corporate card number out to another vendor, you run the risk that they will charge more than the agreed upon amount, or that they will put additional charges or duplicate charges on that card, forcing your accounting team to constantly monitor transactions.
When discrepancies occur, the team may spend hours going back to the vendor after the exchange is completed to dispute the transaction, says Mickey Smith, director of business solutions for American Express. “This happens often when companies use corporate cards to pay hotels,” he says.

A virtual solution

There is no reason for travel companies to expose themselves to that kind of risk, Smith says. Current payment technology solutions allow companies to use virtual credit cards, which means they can generate a single-use card number for every transaction that sets a specific payment limit and payment date for that transaction. This drives down the risk of fraud and errors.

It also provides businesses with greater control over their cash flow management, while giving vendors the confidence that the money will be there when the transaction is complete. Smith adds, “Single-use credit cards are less risky for everyone.”

Despite the business benefits of the latest generation of payment technology, it is not surprising that many travel companies—especially smaller ones—don't yet have these solutions in place, O’Quinn says. “Smaller companies often think this technology is only for big businesses,” she says. “That’s not a growth mindset.”
When companies upgrade their payment technology, they can reduce their operating costs and the number of hours their admin team spends processing invoices. They can also eliminate losses and benefit from rewards programs, she says. “These are all strategic benefits that support the growth of a business.”

More importantly, it can help smaller companies compete in an economy that demands transparent, state-of-the-art payment methods as a baseline for doing business. “Your scalability and your ability to grow revenues can be hindered if you don’t invest in your back-office technology,” O’Quinn says.

Choosing a new system: Start with strategic goals

There are many payment solutions on the market today, and it can be challenging for growing travel companies to know which one will work best for their operation now and in the future.

To ensure you make the right choice, begin by thinking about your long-term business goals and how your payment infrastructure will support them. Some of the strategic benefits that a state-of-the-art payment system can provide include:
• **Greater efficiencies.** A new payment solution should automate your billing and payable processes, which can reduce the number of hours your accounting team spends manually handling transactions. Excellent features include automated transaction matching and the ability to add custom data points specific to your business’s accruals, so that you only have to review transactions that don’t directly match your accounting records.

• **Greater transparency.** An effective payment system can let you see where you are in the payment process with every transaction at any given time throughout the accounting cycle. It can also enable you to generate customer reports based on key transaction criteria.

• **Greater financial control.** An effective payment system can provide you with a virtual credit card option. This feature allows you to generate single-use credit card numbers with a set charge amount and timeframe for payment. This prevents vendors from overcharging or putting multiple unapproved charges on a corporate card and reduces the time you spend tracking and reconciling transactions.
- **Reduction in time and errors.** A good system automates as much of the transaction process as possible in order to reduce time and human error from the payment cycle. A key feature of leading payment solutions is ‘data mirroring,’ which means the tool will automatically copy data from other databases into your accounting system so your accounting team no longer has to manually re-enter data.

- **Better terms from vendors.** Many vendors prefer automated payment systems that are tied to globally recognized financial institutions. Having such a system should enable you to secure better rates and payment terms.

- **Reduce letters of credit.** A payment system that is linked to a globally recognized financial institution can provide you with credibility in the eyes of vendors, reducing the need for letters of credit on large transactions. This can enable cash flow flexibility and can improve your industry profile.

- **A generous rewards program.** A good payment system provider can offer you a competitive incentive program based on your level of spend, and they can be open to negotiating the level of rewards as your spend increases.
Assess the technology and the vendor

Once you understand the business benefits you expect to achieve with a new payment system, start evaluating the technology and the vendors. As you look at your options, consider how you will use the system, what kinds of features and interfaces will work best for your team, what data you want to track, the level of credit and incentives you want from your vendor and how well a potential solution will grow with your business.

You want to be certain that the financial institution can meet your current and future credit needs, O’Quinn advises. “You need to think about your growth plans and whether a small regional bank will be able to meet your needs in the future.”

You also want to be sure your vendor will fully support you throughout the transition to the new system, Smith says. When reviewing payment solutions, ask the vendor how long it will take to integrate the technology into your current infrastructure, what they can do to customize the features for your accounting needs, and what training and help desk support they will provide your team. “You should expect full training on the system and a customer service rep dedicated to answering any of your questions,” he says.
And that support shouldn’t end when the technology is implemented. A good payment vendor isn’t finished until they help you get your suppliers on board with the new payment system, Smith says. They should help you communicate with your suppliers about how the system works and why they should take advantage of it—even making calls on your behalf.

“Supplier enablement is a key part of this business,” Smith says. When your suppliers embrace your new payment system, everyone—including your vendor—will benefit. So they should be willing to help you make this transition with your suppliers as quickly and seamlessly as possible, Smith says. “That’s just good customer service.”

Finally, don’t be a guinea pig. There are a lot of payment solution providers out there. O’Quinn notes, “You want to work with a company that understands how you do business, and one that has built a solution specifically designed to accommodate your needs.”

i. Payment Unsettled: Cost, Opportunity and Disruption in Travel’s Complex Payment Landscape. (PhoCusWright, October, 2013).