WHITE PAPER

Travel

Key drivers for your payment performance in 2022

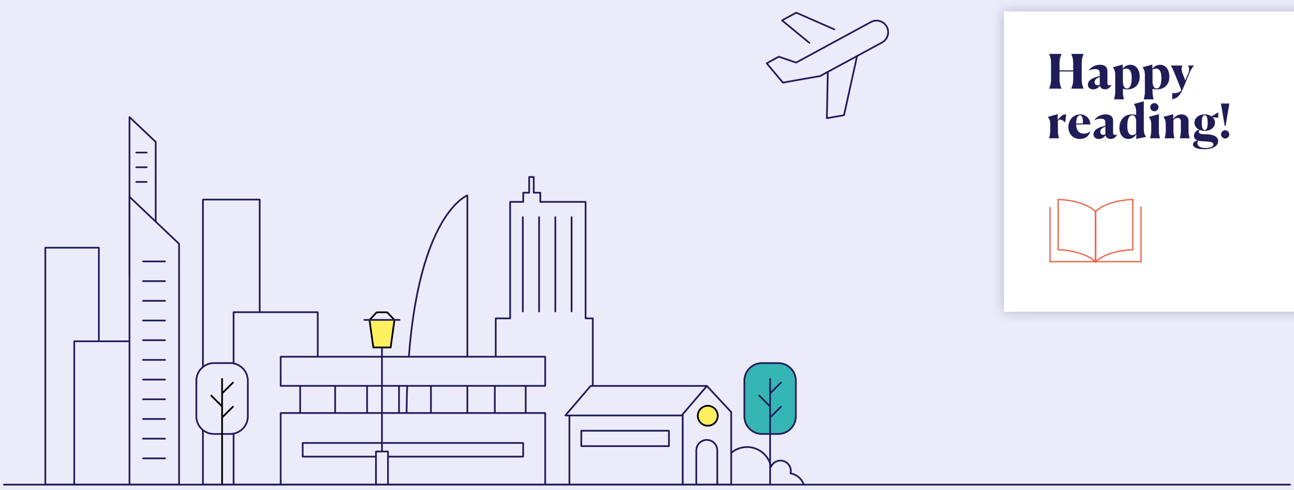
Dalenys

Did you know your payment performance is not just a matter of chance?

Lockdowns and restrictions have led to a profound transformation in the travel industry, yet there's light at the end of the tunnel and tourism is picking up again.

94% of spending was done online in 2021 for airlines, 85% for OTAs and 53% for hotels, the tourism sector is one of the most digitized sectors and is still growing. There has been a significant drop of 30% for airlines and 51% for hotels, the hotel sector is the only travel industry where spending has almost reached the same spending level with a 6% slight drop. It has not recovered to its 2019 level, but it's looking up.[1]

With one in two consumers having already abandoned their basket,[2] it is essential to optimize the key step of payment, to turn it into a conversion driver. Furthermore, PSD2 (Payment Services Directive 2) has redefined fraud-fighting rules, while customers' habits are changing. Payment performance is not a matter of chance. Here, we reveal the key ways which may help you transform payment into a real growth driver for your Travel business.



Happy reading!

[1] Source: Baromètre des Paiements BPCE from 2019 to 2022.
[2] Source: Dalenys/OpinionWay Study "E-commerce in 2022: evolutions and changes among the French," August 2021.

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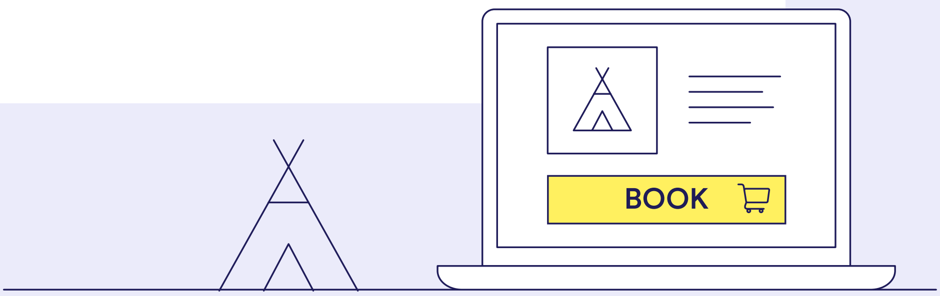


Part 1

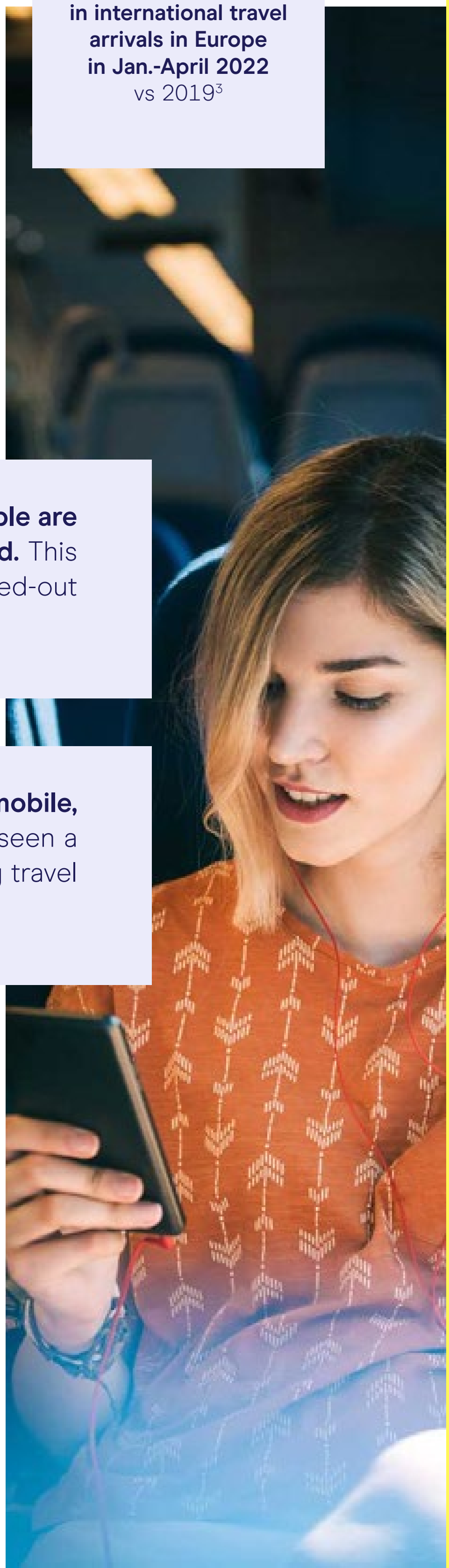
Top 5 Travel trends

Growth rebound effects

As a prevalent travel trend, The World Travel and Tourism Council (WTTC) has seen a sturdy growth rebound in travel. Further evidence of the resurgence in travel is evident in Europe, with a massive 350% surge in international arrivals for Q1 in 2022 compared to last year.[3]

In addition, according to the BPCE Digital & Payments Barometer, in the French market, industry trends have accelerated and consumption has increased by 14.3% between 2019 and 2022 in travel agencies, 32.8% in airlines and 49% in hotels.[4]

+350%
in international travel arrivals in Europe in Jan.-April 2022
vs 2019[3]



Due to the loosening of travel restrictions globally, people are now booking flights around the world at a record speed. This trend is leaning toward more bookings in terms of planned-out travel, as well as last-minute reservations.

In 2021, 60% of traffic on travel sites came from mobile, 38% from desktop and only 2% from tablets. Mobile has seen a small increase of 4 points compared to 2020.[5] That's why travel companies should be mobile-first—but not mobile-only.

Furthermore, the conversion rate was better in 2021 than in 2020: 3.9% against 2.4%. This is a growth of 63%, which is the greatest growth of all industries, logically explained by the rebound effect.

[3] Source: World Travel and Tourism Council (WTTC), Q1 in 2022 compared to Q1 2021
[4] Source: BPCE Digital & Payments Barometer 2022
[5] Source: Contentsquare "Digital Experience Benchmark 2022"

Digitized journeys and payments

The payment experience is an important part of a digitized journey. This requires attention to streamlining the payment process. This begins when the consumer makes a booking for a hotel or flight, right up until the last digital payment, whether it's the airport luggage or a hotel checkout. Here are a few trends in the digitized journey.

QR (Quick Response) Code

QR Codes are important in the digitized journey. From checking in, checking bags, going through security, ordering and paying, these are all steps in the traveler's trip that QR codes serve to expedite.[6]

Many of these self-service options avoid communication breakdowns and human error, while also providing the transactional consistency that customers now expect. QR Codes work to solve these problems and expedite the digital journey.

Pay by Link

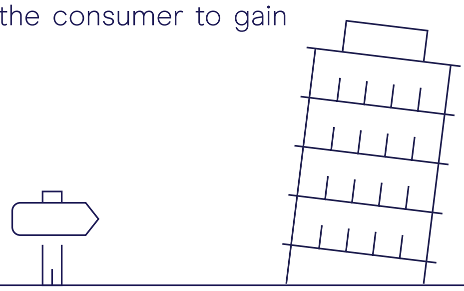
Fully digitizing the customer journey offers the consumer many benefits. And Pay by Link is another part of this equation. **Pay by Link is an e-commerce service that allows customers to pay for their purchases online, by receiving a payment link by email or SMS.** This method is gaining more pace in other industries due to its increasing popularity.[7] A good example is when you are at the airport and you add more luggage or want to upgrade to a better seat class. For such a transaction, a pay by link can be sent or the payment can be completed directly in the app.

Digital wallet

A digital wallet is a software system that keeps credit card and bank account information safe, as well as passwords for various payment methods and websites.[8] They enable you to add other services and loyalty programs, to create an enriched customer experience.

Digital wallets have helped customers reassess their purchasing habits because they may be used in conjunction with mobile payment systems that allow users to make payments on the go.

Some travel platforms for hotel booking or airlines have developed specific wallets, including payments and loyalty services. This kind of program allows the consumer to gain discounts and rewards around the world.



[6] Source: How the coronavirus gave QR codes a major role in travel, by Sooho Choi | PhocusWire.
[7] Source: What is a Payment Request Link (Pay By Link) | GoCardless
[8] Source: Top 6 Advantages of Using Digital Wallets for Appointments, by Natella Zadeh | booknetic.com)

Cybersecurity

Organizations need to be able to provide clients with peace of mind and a smooth, frictionless experience, given the vast amounts of data kept in the digital world.

Digitization has been critical to the growth and recovery of the travel industry following COVID-19. As a result, this sector needs to combine cybersecurity and cyber resilience to continue its recovery from the pandemic while also enabling future growth.

To put this into perspective, the travel management conglomerate CWT was recently forced to pay out 4.5 million dollars to hackers who were able to obtain proprietary data about their customers.[9]

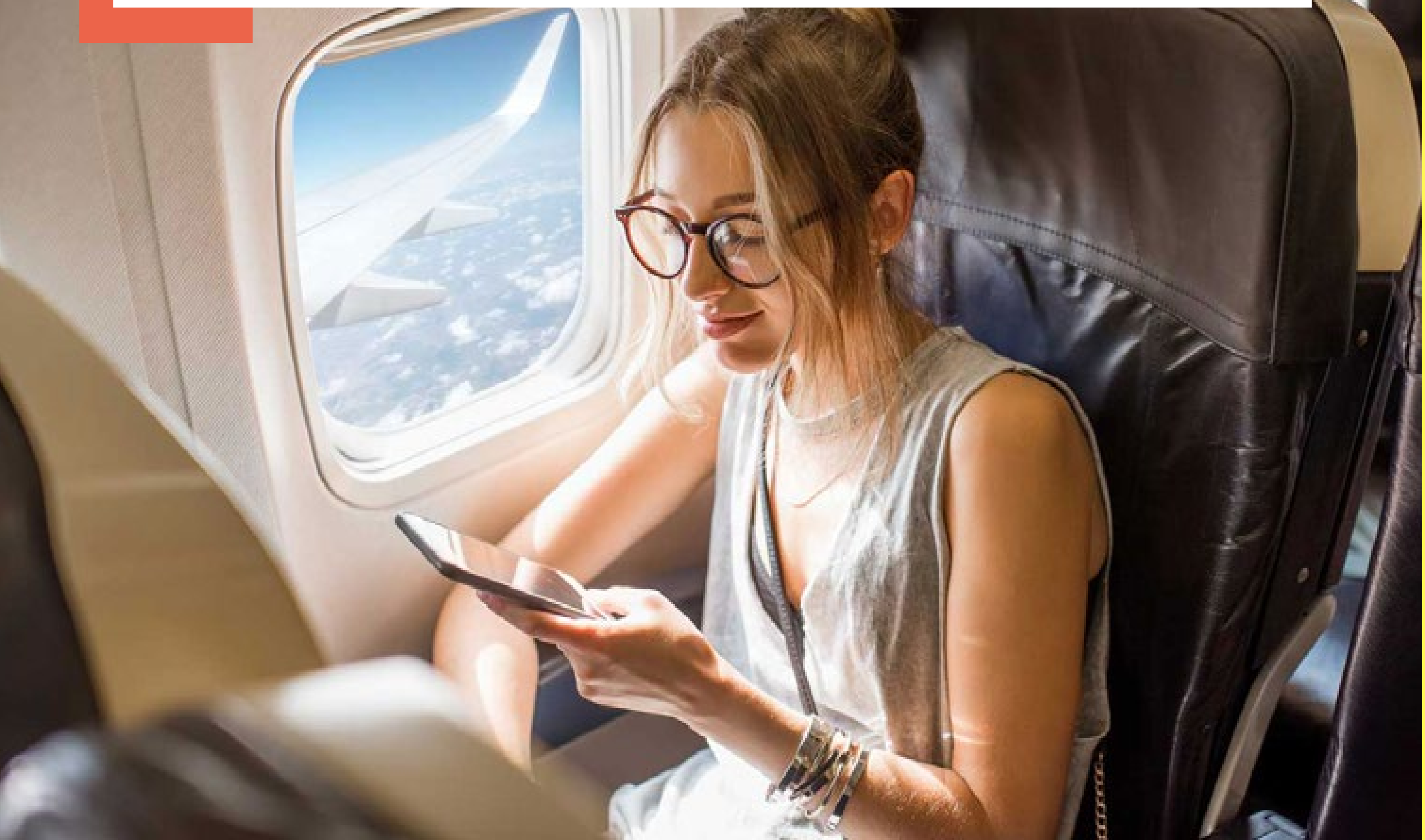
4.5 million dollars

ransomed to hackers by CTW after a data breach[9]

For cybersecurity in travel to work, businesses and travelers need to be diligent. Cybersecurity cannot be limited to the home or workplace in today's world of perpetual connectivity.[10]

When traveling, whether domestically or internationally, it's critical to maintain secure online habits and take initiative-taking measures to protect internet-connected devices. The more we travel, the more at risk we become from cyberattacks.

[9] Source: Travel Management Firm CWT Pays $4.5M In Bitcoin To Hackers | PYMNTS.com
[10] Source: Cybersecurity while traveling DHS NCSAM 2019 - Social Media Cybersecurity (cisa.gov).



Going global: multicurrency pricing is part of the digital experience

For starters, many e-commerce merchants don't sell directly to international customers, this is simply a missed opportunity all around. Forrester projects that **cross-board e-commerce sales will surpass $700 billion by 2023.**[11]

Selling on a global scale is no small feat. Worldwide sales are just as accessible to small businesses as they are to large corporations, with the correct awareness of foreign buyers' preferences and the logistical and technological capabilities to streamline cross-border payments.

Payment providers can assist in the attempt to match international price tags to international preferences. Several major e-commerce platforms collaborate with payment providers to **streamline the way prices are displayed throughout a shopper's experience**, allowing them to see only local currencies and prices displayed in familiar structures.

When converting prices to different currencies on the back end of an e-commerce site, merchants round prices according to local conventions.

Working with the right payment providers in international markets **to ensure that no additional transaction costs are enacted on shoppers' purchases after they have checked out** is the most efficient way to achieve this expectation for recognizable costs.

While buying online—whether on mobile or desktop—customers will not only see consistent and accurate prices in their local currency, but they will also avoid unexpected transaction expenses that could distract from the overall experience. 76% said they preferred to have the option of paying in their local currency.[12]

76%

customers prefer to pay with their local currency[8]

[11] Source: Forrester Analytics: Online Cross-Border Retail Forecast, 2018 to 2023 (Global).
[12] Source: PayPal Cross-Border Consumer Research 2018: Global Survey Report.

Well-adapted means of payment

In addition to multicurrency, the cross-border strategy also needs to be included with the right means of payments. Consumer spending methods are constantly changing. The reality is that online companies need to adapt right along with them to stay competitive.

→ **Some are specific to the country within the travel industry.**
For example, in France, CV Connect (Chèques Vacances) is a payment method provided by companies to their employees. It's specifically made to be used when they book their holidays.

→ **Others are extremely popular for tourism** like multi-card payments and installment payments. The payment landscape has shown a new rise of "Buy Now, Pay Later" solutions such as Klarna, Scalapay or Oney.

For the tourism sector, 28% of purchase intentions will be used with multiple payments in 2022. It also depends on the country: trips are purchased more frequently by using installment payments by the Spaniards and Portuguese than by the French.[13]

Alternative payment methods are gaining hold around the world and already generate approximately $65 billion in revenue globally.[14] People are purchasing online more frequently than ever before, and they are using a larger range of payment methods than ever before.

28%
customers plan to pay using multiple payments in 2022

[9] Source: Travel Management Firm CWT Pays $4.5M In Bitcoin To Hackers | PYMNTS.com
[13] Source: Barometer conducted by Harris Interactive for Oney. Online survey from March 9 to 14, 2022, in France, Spain and Portugal
[14] Source: Global Banking Practice: The 2020 McKinsey Global Payments Record.

Part 2

Frictionless payments under PSD2 regulation

The PSD2 (Payment Services Directive) that came to regulate e-commerce in Europe, with its requirement for strong authentication, hardens the sector's recovery even more.

What is PSD2?

PSD2 introduces mandatory strong authentication (SCA) with two factors, for all transactions conducted online. It aims to block fraudulent transactions while ensuring a smooth customer journey.

Is PSD2 still a hot topic in 2022?

The answer is yes! Although PSD2 was supposed to be applied in 2019, the reality is the application of the new authentication rules has been more progressive depending on the country. The United Kingdom, for example, is the last country in the EEA (European Economic Area) to have applied PSD2 (as of March 14, 2022).

France in particular

France has put in place a sectoral exemption for tourism players, which was due to end in February 2022. From that date on, **any online transaction that is not part of the exemptions or out of scope needs to be subject to strong authentication**. All EU (European Union) countries are compliant now and PSD2 has been rolled out.

If you want to know more about the PSD2, discover our ultimate guide for your PSD2 migration!

How do you maintain a frictionless experience?

There are two options to take:

1. Remain in 3DS v1

Any unauthenticated transaction will suffer a decline from the issuer. This can impact your conversion. One existing solution enables merchants to retry declined transactions with a seamless journey, but it's still a temporary solution: Migration to security protocol 3DS V2 is required by October 2022.

2. Migrate to 3DS v2 to be able to use the exemptions

<table>
<tr><th></th><th>Small amounts</th><th>Transaction Risk Analysis</th><th>Recurring payment</th><th>Trusted payee</th><th>No-name card</th></tr>
<tr><td>0 - €30</td><td>Except for every 6 transactions or payments with a cumulative amount of >€100</td><td rowspan="2">If the fraud rate of the issuer OR purchaser is < 0.13%</td><td rowspan="5">If the payment transaction is made as part of a recurring payment with the same amount and payee</td><td rowspan="5">If the payee is registered by the payer on a list of trusted payees (whitelisting)</td><td rowspan="5">This exception applies to payments initiated by “legal entity” payers (see Article 17 of the RTS)</td></tr>
<tr><td>30 - €100</td><td></td></tr>
<tr><td>100 - €250</td><td></td><td>If the fraud rate of the issuer OR purchaser is < 0.06%</td></tr>
<tr><td>250 - €500</td><td></td><td>If the fraud rate of the issuer OR purchaser is < 0.01%</td></tr>
<tr><td>over €500</td><td></td><td></td></tr>
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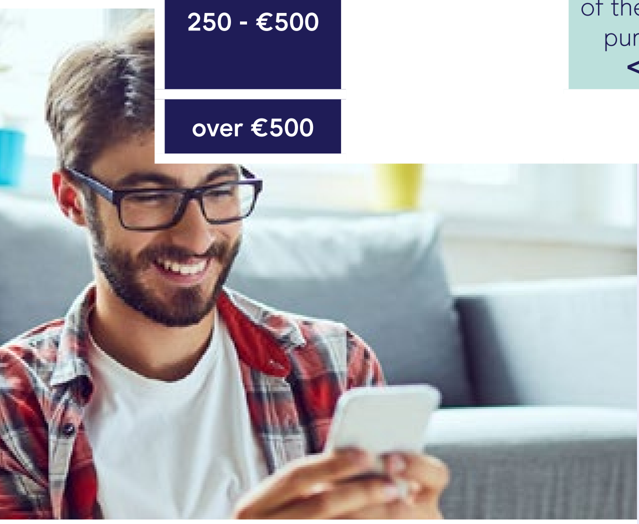


Transactions outside the RTS (Regulatory Technical Standards) scope are by nature exempt from authentication

- ✓ **Merchant-initiated transactions** (MIT)
- ✓ **Mail Order/Telephone Order** (MOTO) transactions
- ✓ **Inter-regional transactions** (*one-leg*)

For the tourism sector, the use of exemptions may be limited given the heterogeneous average baskets. With the Transaction Risk Analysis (TRA) exemption, it can only apply to transactions up to €500.

In exchange for taking on the risk of fraud, TRA permits the merchant's acquirer to exclude certain transactions from Strong Customer Authentication (SCA). You may use this exemption only if you, the merchant, plus your acquirer maintain a specific fraud rate

3DS V2.2 unlocks new potentials

The latest version of the protocol 3DS v2.2 will enable merchants to maximize frictionless and improve your acceptance rate. Indeed, Visa scheme allows TRA exemption only with the latest version 2.2.

In addition, 3DS Requestor Initiated (3RI) Authentications, also known as Merchant-Initiated Authentications, is introduced in version 2.2.0 of 3D Secure 2. These allow retailers to generate the necessary authentication data for authorization without involving the customer in the transaction directly.

In practice, you will be able to make an authentication request even if the end-user is not there. With the 3RI: since you need to make several authorizations per ticket, you will make only one authentication and for the later authorizations, it will be linked to a subtype of 3DS on which you cannot make a challenge.

> ***Dalenys is providing us with valuable support to make our PSD2 migration a success.***
> *Our Customer Success Manager is following us step by step to ensure there will be no significant impact on our business and customers' UX.*
>
> **Bach Truong**
> Head of Payment
>
> MisterFly

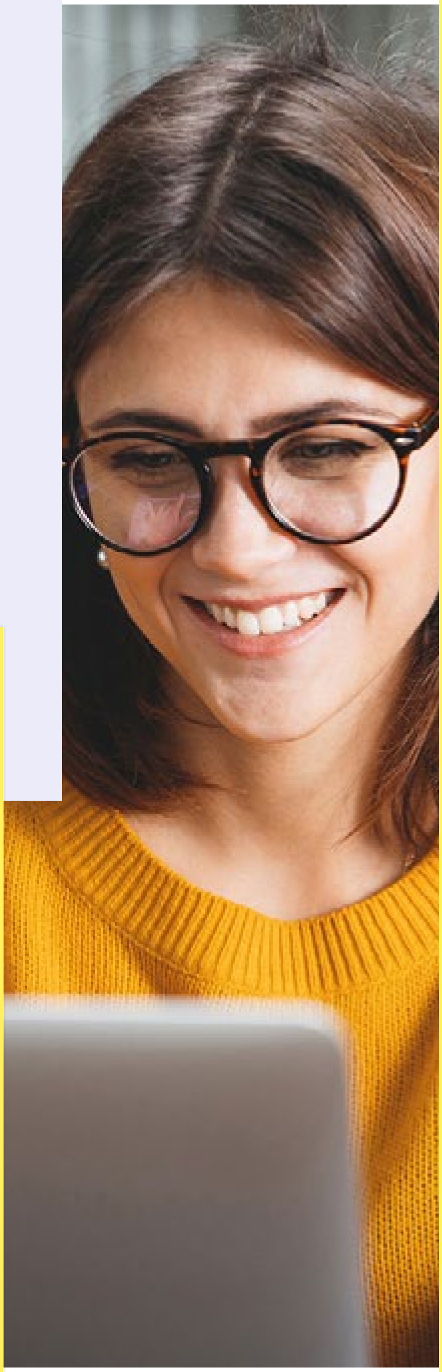
Part 3

Simplify the payment processes with payment orchestration

What is payment orchestration?

Payment orchestration is the process of connecting and managing several payment service providers, acquirers and banks through a single software layer. Payment orchestration software manages the entire payment processing procedure, from validation to routing and settlement. The result is a Payment Orchestration Layer serves as the gateway and heart of a payment system.

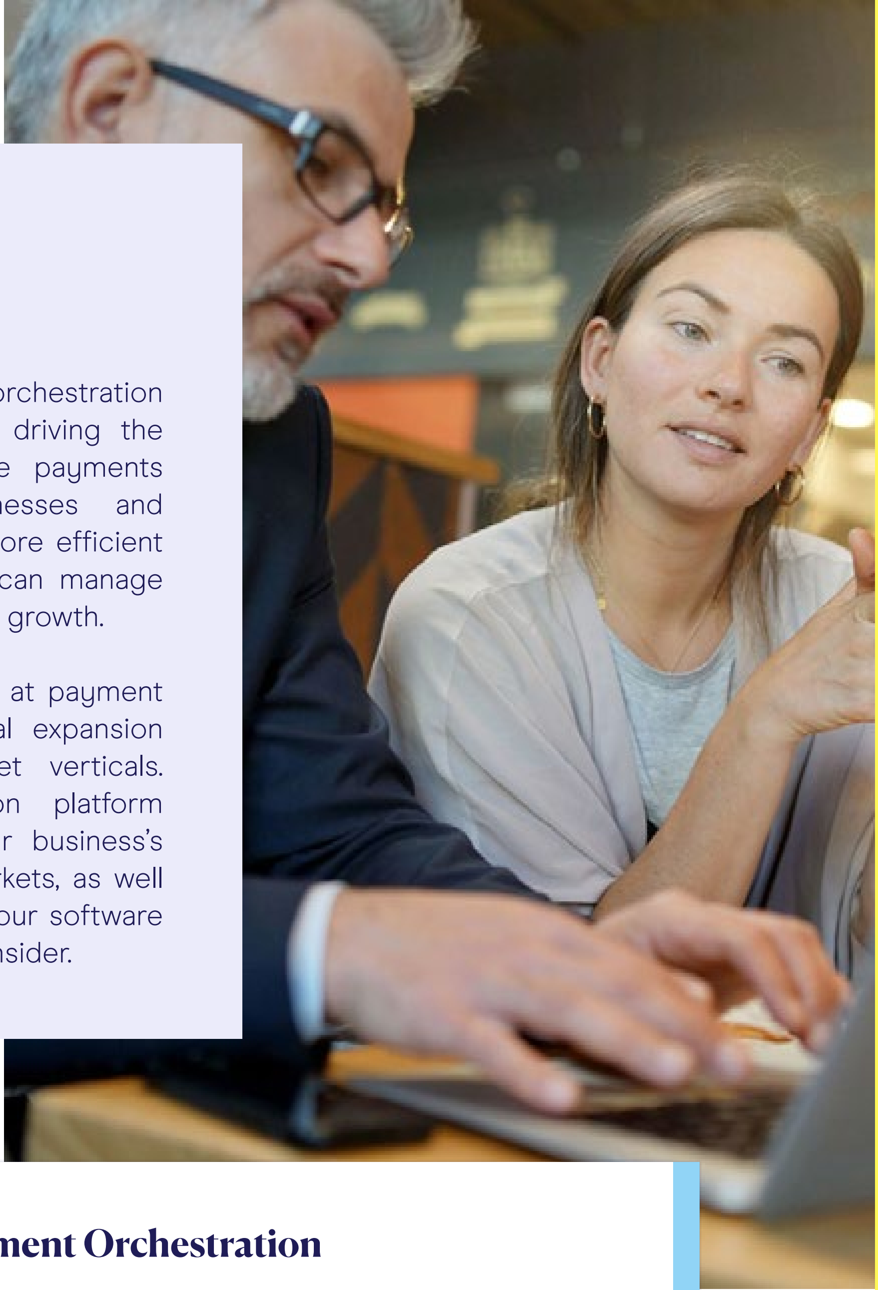
Payment orchestration has been occurring at the largest merchants for some time now as they typically have volume contracts with multiple processors.[15]



*"**As more and more travel sales shift to digital channels, payment orchestration makes sense for large, high-volume brands.** It's not only about risk mitigation, where it's not smart to be dependent on a single acquirer or gateway. In today's world of globalized consumers, there is no single provider or acquirer that will provide the best solution for every geography in which international travel companies operate.*

Bartek van de Pavert
Director Business Development Travel
Dalenys

[15] Source: FinLedger. "Why payment orchestration is about to have its moment."



Growing use in the digital era

The rising use of payment orchestration across various industries is driving the digital transformation in the payments industry. It assists businesses and merchants in developing a more efficient payment infrastructure that can manage current sales, as well as future growth.

Many companies are looking at payment orchestration to drive global expansion and grow into new market verticals. Your payment orchestration platform should be aligned with your business's objectives. Budget, rules, markets, as well as the frameworks wherein your software operates, are all factors to consider.

Three key assets of Payment Orchestration for your growth

→ **Payment orchestration allows businesses to bypass the hassle of guessing games.** Using an orchestration strategy, businesses may estimate how long it will take to incorporate a specific payment method and avoid trying to figure it out by using payment orchestration.

→ **Payment orchestration helps shorten the time to market by reducing the time it takes to enable and link numerous services separately.** This is especially true if the checkout process is managed by the Orchestration API, as a unified payments API could make future integrations and growth easier.

→ **Marketing departments will admire the utility and practicality of conducting trials (to reduce abandonment rates, for example) and the statistics to justify their investment.** It's on-target for high-growth platforms and international businesses.

Checklist of the advantages of payment orchestration

1 INTEGRATION THAT'S MADE EASY

Integration of region-specific payment providers and currencies, in addition to regulatory compliance, can be difficult. The process is made easier with a Payment Orchestration Layer. **It has a modular payment system architecture that unifies and simplifies the integration of third-party supplier APIs.** As a result, you can quickly introduce new payment alternatives and further your organization.

2 ROUTE OPTIMIZATION

A prime highlight of Payment Orchestration Platforms is its ability to route payments dynamically. You can obtain more control over money flows by putting up routing rules. For example, you could automatically route transactions through the channels that offer the best terms.

3 SIMPLIFIED CUSTOMER EXPERIENCE

While one in two consumers has already abandoned their shopping cart when it's time to pay online,[16] it's vital to optimize this crucial step in the purchasing journey and turn it into a lever for conversion. By coordinating your checkout flow, the Payment Orchestration Layer lets you avoid this. You can quickly set up an embedded checkout process so that customers stay on your site or app rather than being transferred to external pages. This increases conversion and reduces friction.

4 A POSITIVE MERCHANT EXPERIENCE

If you run an online marketplace, you may customize your Payment Orchestration Platform to satisfy the unique demands of your merchants. **Payment triggering, payment reconciliation and reimbursements are all managed using POPs. Merchants are free of the various reconciliation file formats offered by acquirers and PSPs.**

5 LOWER COSTS

POP permits you to tap into local forms of payments or choose an acquirer within a local market to have the best commercial conditions. POPs' contemporary infrastructure helps lower costs in addition to preventing integration costs from escalating—a win-win for everybody.

6 GETTING MORE CONTROL AND FLEXIBILITY

Due to their ease of integration, Payment Orchestration Layers can be used to create a wide choice of PSPs and acquirers, allowing the merchant to decide. It also benefits you as a business because you are not dependent on a sole source of payment on a single PSP or acquirer.

7 GETTING THE RIGHT DATA REPORTS

Payment Orchestration Platforms facilitate payment data evaluation because of their aggregating nature. In a PO system, all PSPs are kept in the same location. It's easy to generate data reports for several PSPs at once. This information can help merchants, fraud detection services and financial regulators.

[16] Source: Dalenys/OpinionWay Study "E-commerce in 2022: evolutions and changes among the French," August 2021.

Turnkey or Self-built Payment Orchestration Layers?

From a technical standpoint, there are two approaches to implementing payment orchestration:

1. **Turnkey** Payment Orchestration Layers
2. **Self-built** Payment Orchestration Layers

TURNKEY PAYMENT ORCHESTRATION	
PROS	**CONS**
Reliable Turnkey solutions that have been tried and proven will tell you exactly what you're getting into.	**Limited production facilities**
Cost-effective These options are a cost-effective way to discover a solution to your issue. They're built as an all-in-one software, thus they're meant to address a variety of problems for a variety of enterprises all at once, for a set fee. They assist you in making a cost-effective transition to the online, digital world.	**Modification of price plans** This compels you to modify your price plan every time you wish to scale up—or it scales up automatically once you hit certain restrictions, which can be an unfortunate surprise when budgeting for operations.
Conserves time It is the most visible of all the advantages. To deploy a turnkey solution, you'll just need to invest a small bit of time. Your operations will be streamlined as a result of integrating these technologies, and jobs will take significantly less time than before.	**Dependency** Another downside is that your organization is no longer dependent on external PSPs. Instead, it's still reliant on the Payment Orchestration provider's planned expansion of its PO solution.

SELF-BUILT PAYMENT ORCHESTRATION	
PROS	**CONS**
Good for businesses that have a strong do-it-yourself mentality Instead of depending on an external POL, you create your own payment system that can orchestrate transactions.	**More expensive** In addition, getting the POL platform up and running takes time and effort.
Customizable You can customize and develop the solution to match your specific requirements because it's your own product.	**Need to be well-versed** Your software engineers need to be well-versed in payment methods to create a product that fits both industry standards and your vision.

How payment orchestration works

One of the most significant aspects of payment orchestration is determining the optimum digital channel for a transaction to take.

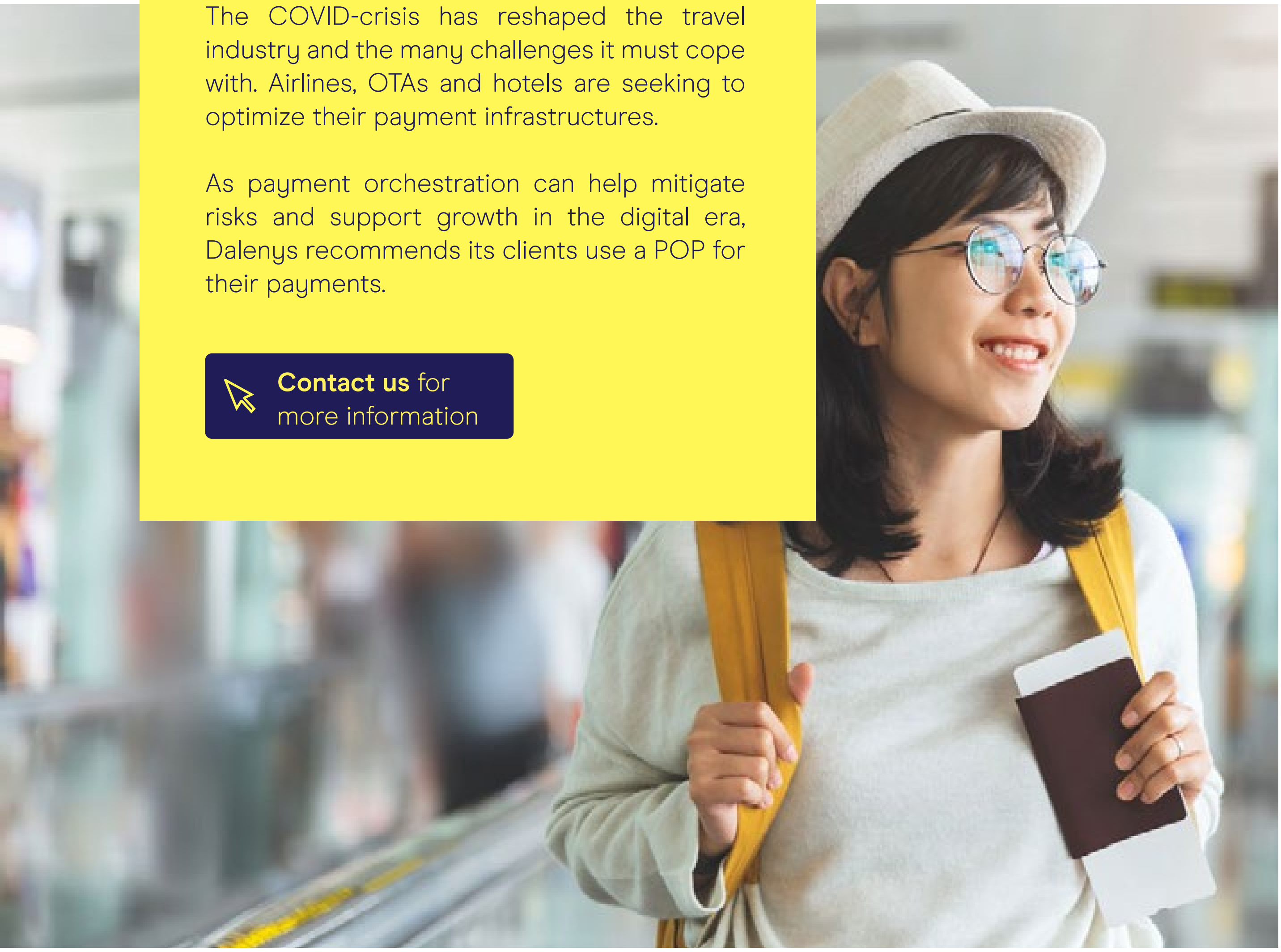
The payment path begins at the checkout. The user selects a payment method from a list of options provided by the platform. The customer's country, risk score and other variables may be used to pre-filter this list. After this stage, the payment will be directed to the most appropriate payment provider.

Once the best PSP for processing is identified, the user data required to complete the transaction is sent to the appropriate payment gateway/acquirer. An automatic routing fallback may be activated if the payment fails, allowing the payment to go via a different gateway/acquirer. The clearing/reconciliation process follows.

The COVID-crisis has reshaped the travel industry and the many challenges it must cope with. Airlines, OTAs and hotels are seeking to optimize their payment infrastructures.

As payment orchestration can help mitigate risks and support growth in the digital era, Dalenys recommends its clients use a POP for their payments.

Contact us for more information



Level up your payment performance

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Dalenys: major European Travel operators' payment partner

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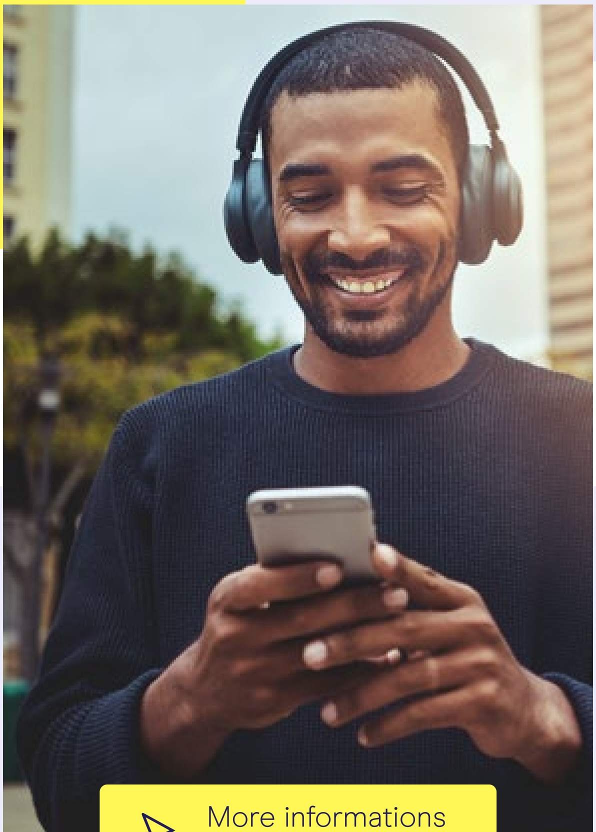

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Leverage your full business potential with payments

Our fundamentals: our teams' expertise, proprietary technology and detailed analysis of payment data.

Smooth customer flow

Frictionless payment experience through PSD2-specific support.

International country coverage

Europe's main **alternative payment methods** and currencies, local regulatory expertise in each jurisdiction.

Dedicated 24/7 support

Our performance and fraud experts are always by your side to guide you through the best technological and operational levers.

Robust platform

99.9% platform availability since 2016.*
Rely on our services to focus on your core business only!

*2021 figure

Dalenys, a fintech of Groupe BPCE, is the payment partner of major e-merchants and digital brands in Europe.

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