Research report

Virtual cards in travel payments

Four trends for 2025

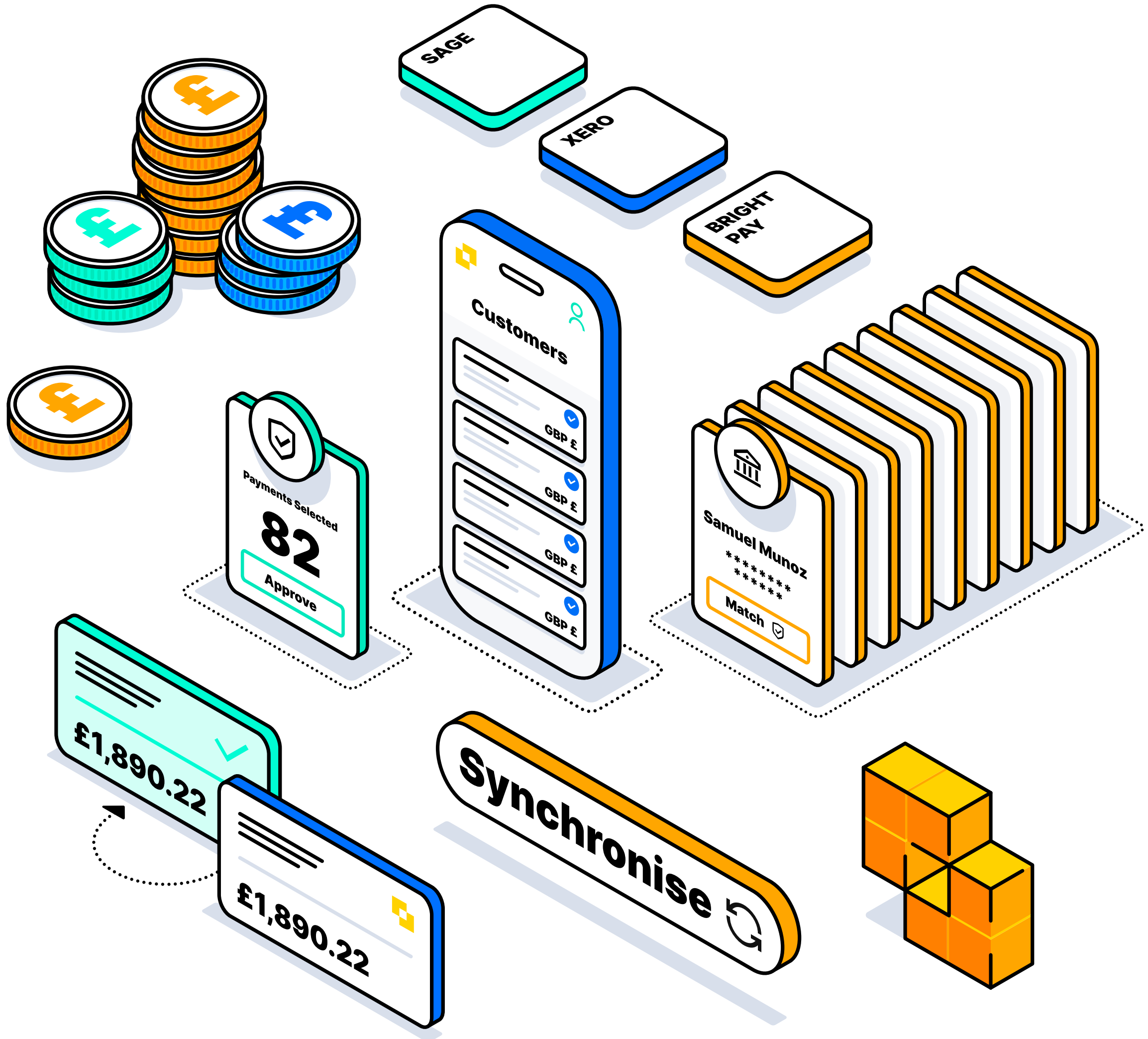
Modulr | VISA

The virtual cards opportunity

Virtual payment cards are integral to how many travel businesses send, receive and process payments.

In an industry historically facing challenges of cross-border complexities, security risks and operational inefficiencies, virtual cards have emerged as a standard for managing payments between online travel agents (OTAs) and their suppliers or partners.

Their widespread use has proven particularly valuable when optimising processes, minimising fraud and providing the operational flexibility needed to keep pace in an increasingly digital and globalised market. However, they may be about to take an even bigger role in how resurgent travel businesses pay and get paid.



Virtual cards:
The backbone of payments in travel

The anticipated growth in revenue generated by global virtual card transactions – from $40.9 billion in 2023 to an expected $163.2 billion by 2028 – underscores their role as a key payments solution across the travel sector. Specifically within the travel sector, the share of transaction revenue is expected to grow from $26 billion to $113.8 billion[1].

The explosive growth in transactions and revenue generated from virtual cards in the travel sector reflects their widespread use as a means of payment. But what makes virtual cards so appealing across the travel supply chain?

Virtual cards are established and versatile financial tools designed specifically for online transactions and without a physical counterpart. These cards are uniquely generated for single or multiple payments and can both be subject to strict spending and lifespan limits – as well as trigger specific automatic notifications upon use. This agility and precision makes them highly secure and ideal for managing business payments, particularly for the unique needs of the travel sector.

Here, virtual cards streamline myriad transactions between businesses across geographies and currencies, thanks to the well-established card networks and chargeback protection that they offer.

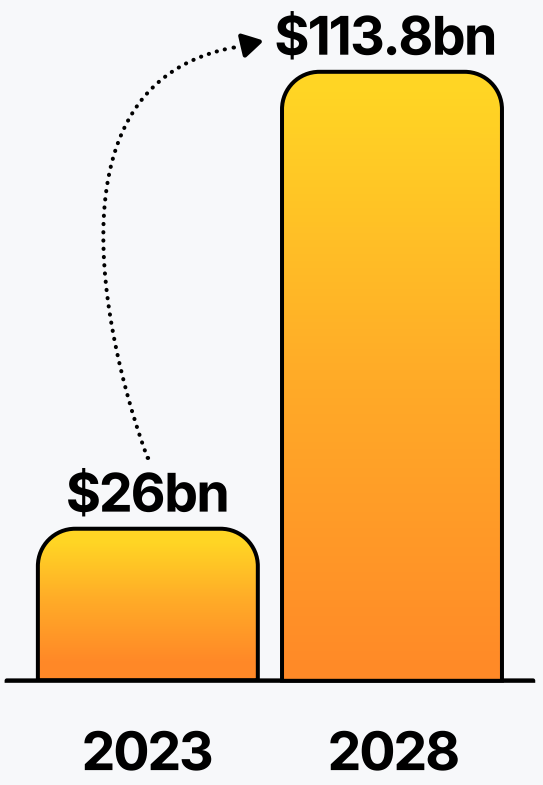
Their trusted platform and clear audit trail enhance fraud protection and provide reassurance to all participants throughout the fragmented process of travel bookings.

It is no secret that B2B payments in the travel sector often involve complex interactions between multiple parties, from the moment a trip is booked until its completion. These transactions occur directly between OTAs and service providers like hotels and airlines, and through various other intemediaries and aggregators. Different business models in an increasingly fine-margin industry look to optimise transaction fees, referral fees, commissions, upselling or retail opportunities and more, while minimising the resulting costs.

What many want to know is how might this well-established process be improved, to benefit all parties in 2025?

[1]Juniper Virtual Card Data Forecasting (2023-2028)

Anticipated transaction revenue growth in travel:



Key developments in 2025 and beyond

Virtual cards can be the solution to a wide range of payment-related issues faced by travel businesses, but while they are expected to continue playing a crucial role in B2B payments well into 2025 and beyond, what will need to change for them to remain one of the leading payment methods? Where are virtual cards not working for travel payments, and how might they evolve to become better? In this paper, we identify the key areas where the most exciting changes are happening.

Key trends in virtual card payments in travel:

1. Increasing uptake
2. Scaling and personalisation
3. Fighting fraud
4. Automated payments

01

Increasing uptake

The total transaction volume from virtual cards is projected to reach 175 billion by 2028; rising from 36 billion in 2023, according to Juniper Research[2]. The value of those transactions could soar in that time, from $3.1 trillion to $13.8 trillion[3], with API-powered solutions a key component within the burgeoning virtual card space.

Visa and Juniper predict that virtual cards in B2B payments are likely to see accordingly explosive growth. This is expected to include the booming travel sector, where cards are already the dominant payment method for most OTA and airline bookings. Europe's vibrant travel markets saw 2023 gross bookings increase by an average of 16.25% across the region: rising to €68 billion in Germany[4], €55 billion in France[5], €17.2 billion across Scandinavia[6] and £47.3 billion in the UK[7] – and these increases are only expected to accelerate from 2025 onwards.

With virtual card usage already widespread across the travel industry, particularly in B2B transactions, what businesses are now focusing on is not just adopting this technology but enhancing its capabilities and finding ways to extract even more value.

Modulr is working with increasing numbers of OTAs who are evolving rapidly from manually issuing virtual cards via an online portal to book flights or hotels, to building and integrating APIs that issue cards automatically and connect seamlessly into middle office booking platforms.

These companies are investing in optimising virtual card infrastructure, to further streamline payments, cut costs and automate reconciliation processes. In cross-border scenarios, by transitioning a high volume of payments from traditional account-to-account payment rails onto virtual cards, it is possible to avoid high costs and delays in settlement. OTAs could also unlock rebates, significantly improving their overall margin per booking.

[2] Juniper Virtual Card Data Forecasting (2023-2028)
[3] Juniper Virtual Card Data Forecasting (2023-2028)
[4] Phocuswright Germany Travel Market Report (2023-2027)
[5] Phocuswright France Travel Market Report (2023-2027)
[6] Phocuswright Scandinavia Travel Market Report (2023-2027)
[7] Phocuswright U.K. Travel Market Report (2023-2027)
[8] Juniper Virtual Card Data Forecasting (2023-2028)

77%

of the total value of virtual card transactions are from B2B payments.

OTAs only need to provide funds at the time of authorisation and only for the amount needed.

Other areas of innovation focus on addressing the liquidity risks faced by OTAs, particularly around long lead times between consumer booking and settlement from card acquirers. This can stress cash flows, with or without FX fluctuations, rebookings and cancellations. These risks are well known within the sector, where acquirers willing to process high volumes and values of card payments can be difficult for OTAs to come by.

Some OTAs are mitigating that balance sheet risk through virtual cards set up to initiate payment at a later stage, when a trip or hotel booking is completed, for instance. The amount can be limited to allow full booking value settlement only when the customer arrives at the hotel, or checks out.

The substantial growth in virtual card use indicates their relevance in the market. Virtual cards remain appealing because not only do they streamline transactions across borders and enhance operational efficiencies, they can also improve the booking experience for both travel intermediaries and their customers.

Virtual cards integrate smoothly with mobile booking systems and digital wallets, enhancing data security and user convenience. This level of seamless integration supports real-time payment processing, which can be crucial for last-minute bookings, providing both security and immediacy.

Local and multi-currency card issuing is increasingly being used to enable OTAs to reduce FX costs at the local level and streamline acceptance for suppliers wishing to pay in local currency. Various innovations are being applied to prevent declined card payments, with Modulr (a Visa principal issuer) now frequently asked to supply cards in multiple currency and card product configurations. This can significantly improve acceptance rates for virtual cards and make it less likely OTAs are left carrying currency exposure, liquidity risk or delays between customer booking and securing inventory.

What is driving the uptake of virtual cards?

Easier payment reconciliation:
Automating the tracking and reconciliation of supplier payments can save valuable administrative time and reduce errors.

Greater transaction visibility:
These cards provide detailed insights into each transaction, empowering OTAs and suppliers with greater control over their financial operations.

Reduced processing costs:
Lower transaction fees associated with virtual cards directly contribute to improved profit margins and overall cost efficiencies.

Quicker settlement times:
Suppliers, particularly airlines, can benefit from an expedited settlement process compared to traditional travel industry methods like BSP Cash, enhancing cash flow and operational efficiency.

Virtual Card Numbers (VCN) benefits:
VCNs offer tailored payment solutions that adapt to specific business needs, ensuring secure, precise, and compliant transactions across different market segments.

Scaling and personalisation

02

Virtual cards are already used to facilitate many single transactions for unique customer bookings within the travel industry. As the technology continues to mature, travel businesses can advance their strategies to scale the use of virtual cards, while tailoring the card settings to meet the needs of specific customers or transaction types.

The options range from single-use cards to cards set with a specific expiry date or maximum spend that correspond specifically to a particular booking. Reconciliation can be made simple and tailored to specific needs of the business process, whether the OTA is making 1,000 bookings on one card or issuing 1,000 cards per booking, thanks to the rich data available.

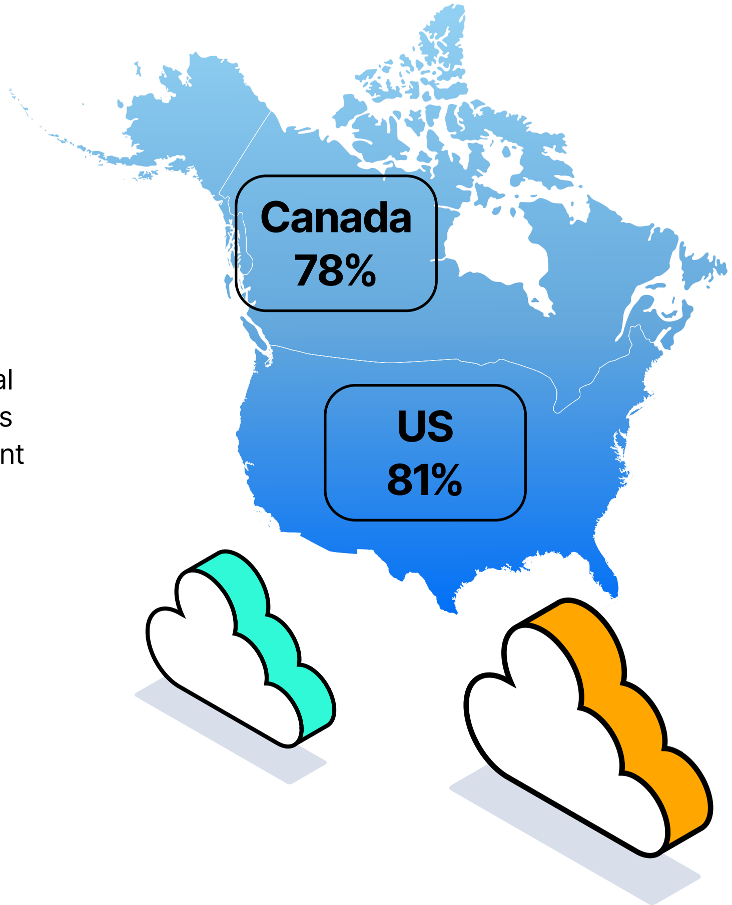
With direct and independent bookings also increasing in popularity – and now accounting for 81% of the total in the US[9] and 78% in Canada[10] – growing independent or partially independent travel presents an alternative to traditional packaged tours.

On the surface, this may present a risk for OTAs, however it also highlights an opportunity. If OTAs can upgrade their customer interfaces and payments to appear more personalised, direct and seamless, they can help mitigate the threat of direct bookings.

The necessity for OTAs to adapt to a modern, mobile-first customer base without sacrificing the economies of scale critical to their business models is becoming increasingly apparent. It seems likely that in 2025 more OTAs will lean into the seamless integrations that unique virtual cards can achieve with specific bookings or sets of bookings, and we believe OTAs will find a point of difference through their efforts to simplify the customer experience and streamline back office operations.

[9] Visa Global Travel Intentions Study – USA Outbound (2023)
[10] Visa Global Travel Intentions Study – Canada Outbound (2023)

% of total bookings made direct



In this sense, scalability and personalisation of virtual cards offer a compelling prospect for enhancing operational efficiencies and customising services to individual business needs. By directly leveraging capabilities provided by platforms like Modulr, travel businesses can adopt bulk creation of virtual cards with the automation support of a partner able to do so swiftly and at scale.

We also expect 2025 to see the use of virtual cards to ease the complexities of working with and paying multiple suppliers, especially across borders. Virtual cards today support the handling of multi-currency transactions efficiently, reducing the operational burden and enhancing compliance across different regulatory environments. These features are critical in managing the large-scale operations typical within the travel industry, where the timely settlement of international payments can dramatically impact service delivery and client satisfaction.

By leveraging the effectively infinite volume of unique virtual cards and assigning them to customer bookings automatically and at scale, OTAs can manage high volumes of transactions with ease while enhancing the precision and efficiency of the payment process.

Integration ensures each transaction is directly linked to its corresponding booking, which can reduce errors and improve the speed of service delivery – key advantages when handling thousands of bookings simultaneously.

Whether or not a travel business has already integrated a virtual card option into their payments solution, further optimisation and integration into a wider set of payment capabilities could offer even more advantages as they look to scale upward in the years ahead.

Virtual cards aid efficient multi-currency transactions, reducing operational burden and enhancing compliance.

How to optimise virtual card payments

Simplify the payment process beyond the transaction itself, incorporating comprehensive payment functionalities into a single, user-friendly interface. This holistic approach can reduce the complexity of global operations and enhance the seamless experience for both OTAs and their suppliers.

Enhance the capability for automatic reconciliation by including metadata in custom fields for each booking, which can facilitate automated matching of transactions to customer bookings. In turn, this can reduce administrative overheads and enhance real-time financial reporting, helping OTAs to improve decision-making and financial clarity.

Increase flexibility and security through the ability to assign single use, recurring payments, or virtual cards with specific spending limits, enhancing transaction security. This adaptability, especially when integrated into an all-in-one platform, ensures digital cards cannot be lost, stolen, or damaged, which can boost consumer trust and satisfaction.

Embrace inherent security features such as the ability to limit use to specific transactions or set predefined spending limits, which can enhance consumer trust and satisfaction. Coupled with the potential to improve operating margins with interchange rebates, this provides OTAs with additional financial incentives while ensuring transactions remain secure and tailored to business requirements.

03

Fighting fraud

According to a survey conducted by Javelin, a staggering 90% of companies worldwide anticipated a rise in digital payments fraud in 2024[11]. The same study found that remarkably, despite widespread awareness of its risks, 40% of these businesses continue to rely on paper cheques – the payment method most susceptible to fraud.

The risk of fraud is growing rapidly with increasing digitalisation and the ability of scammers to leverage AI against individuals and businesses. The fragmented travel market, spanning currencies and languages as well as intermediaries and suppliers, is a prime target for abuse.

Virtual cards continue to be a staunch contributor in the fight against fraud. Their inherent security features, such as dynamic card numbers, expiration dates and transaction-specific controls, along with the rich additional data corresponding to specific booking requests, have made them indispensable in safeguarding financial transactions.

Amid these challenges, virtual cards enable users to complete online purchases without the need to declare any bank details from their payment source.

As virtual cards generally provide a unique card number for each payment, this means core bank details cannot be stolen[12]. Advanced security measures, such as encryption, pre-programming and the use of dynamic data for each transaction are also inherent to virtual cards, helping to drive increased security and mitigate fraud.

Single- or limited-use virtual cards ensure that payments exactly match their intended purpose, significantly reducing the likelihood of disputes and misuse further down the line. In contrast, in some circumstances, multi-use cards held with aggregators and travel businesses increase exposure to fraud with every purchase.

Together, these capabilities are particularly useful for minimising misuse or fraud, particularly when managing budgets and expenses across different departments or projects. For instance, we might expect to see more examples of a travel agency issuing virtual cards with pre-set spending limits for each segment of a trip, such as flights, accommodations, or meals, ensuring that payments are made within budgetary constraints.

[11] Javelin Commercial and Enterprise Payments Fraud (2023)
[12] Juniper Virtual Card Market Trends & Strategies (2023-2028)

90%

of businesses worldwide anticipate a rise in digital payments fraud.

The integration of virtual cards into travel payment systems can strengthen defences against both traditional and emerging fraud tactics. By automating and securing payment processes, they simplify financial operations, enabling OTAs to focus more on strategic growth rather than on the burdens of managing fraud.

Travel companies that embrace this technology fully will be making valuable efforts to not only safeguard their assets but also gain a competitive edge in a market where security is increasingly a priority for every stakeholder involved.

The integration of virtual cards into travel payment systems can strengthen defences against both traditional and emerging fraud tactics.

How do virtual cards help reduce fraud?

Tokenisation replaces and conceals sensitive payment information, helping to reduce the risk of data breaches.

Programmable controls mean virtual cards can be tailored with specific limits for each transaction and programmed with controls around future-dated payments or authorisation windows.

Immediate issue and cancellation capabilities enable businesses to respond promptly to any suspicion of fraud, while financial controls can be dynamically adjusted as needed to address immediate security concerns.

Automation and synchronisation minimise human error and can enhance the accuracy of financial records.

Enhanced visibility and strategic data use are inherent to virtual cards. Every transaction made is meticulously recorded, providing detailed information that can enable better tracking of spending and quicker identification of irregularities. The ability to analyse spending patterns and match them precisely with customer bookings or supplier payments can also enhance both accountability and financial forecasting.

04

Automation

Despite the clear benefits that virtual cards offer, a recent Visa report found that 60% of companies surveyed in the US have yet to explore automation solutions for virtual cards[13]. This gap highlights a substantial growth opportunity in a complex sector like travel, where providers and users alike can greatly streamline payments.

The operational efficiency offered by virtual cards is well established. Now, businesses are focusing on leveraging automation more fully – integrating virtual cards with broader financial workflows to reduce manual intervention and improve decision-making in real time.

For OTAs, this level of automation involves instant issuing of virtual cards for direct bookings, automatic reconciliation of payments with booked services and streamlined management of changes and cancellations, which greatly reduces the need for manual oversight and accelerates transaction processing.

Current best practice around virtual card capabilities involves integrating seamlessly with other payment systems. The ideal platform should integrate financial workflows and enhance overall operational efficiency.

The majority of companies now manage virtual card processing through a combination of in-house and outsourced solutions[14]. Modulr works with travel businesses to automate across an increasing variety of virtual card use cases, from issuance of individual or multiple cards to webhook-driven notifications of payment that support real-time data analysis and strategic decision-making. Accessed via portal or API, automation of these services and others is helping these businesses operate more efficiently and expansively across whichever markets they serve.

[13] Visa Virtual Card Automation Tool VoC Report (2023)
[14] Visa Virtual Card Automation Tool VoC Report (2023)

60%

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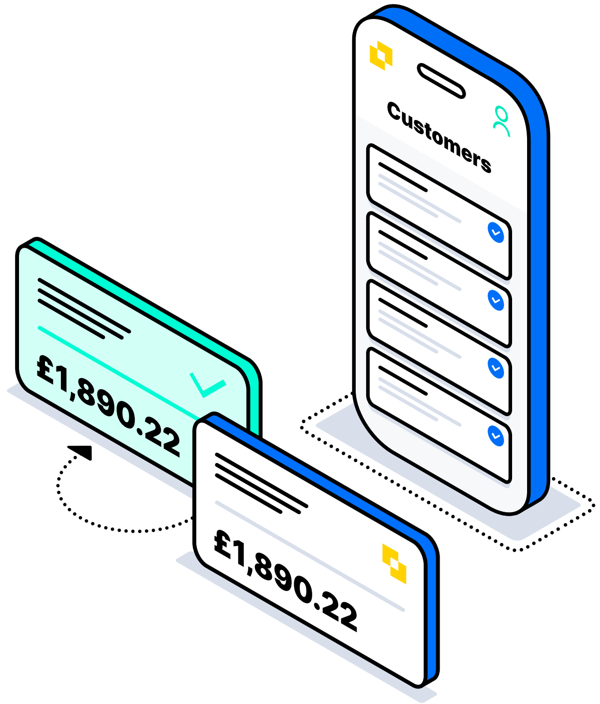
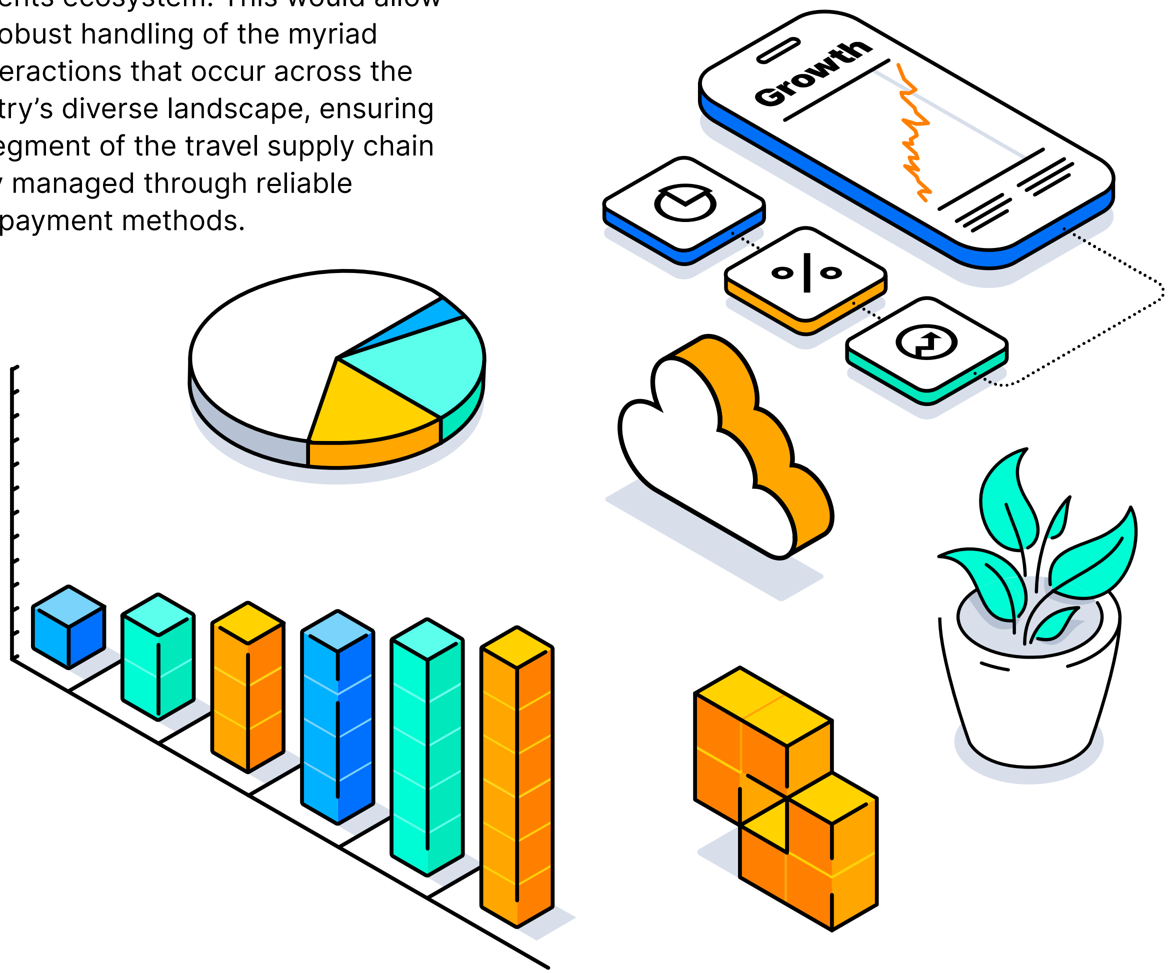


Virtual card use in 2025 and beyond

Virtual cards are no longer an emerging technology; they are a staple part of payments in the travel sector. With widespread adoption across the industry, businesses are now doubling down on their use, finding ways to scale operations, enhance security, and streamline processes even further.

As travel companies look ahead, virtual cards are likely to continue serving as the foundation of modern payment models, driving efficiency, protecting against fraud, and delivering the flexibility that global transactions demand.

To maximise their effectiveness, virtual cards should be integrated into a wider payments stack, supporting the intricate and fragmented travel payments ecosystem. This would allow for a more robust handling of the myriad payment interactions that occur across the travel industry's diverse landscape, ensuring that each segment of the travel supply chain is efficiently managed through reliable and secure payment methods.



At Modulr, our vision is a world where all companies are powered by embedded payments. We enable thousands of businesses, from SMEs to enterprises, to efficiently pay-in, collect and disburse funds instantly via a range of payment methods, accounts and card products.

Modulr processes over 200m transactions and over £100bn of payment value on its platform, on an annualised basis.

Our portal and API integrations offer access to Faster Payments, Bacs, CHAPS, Open Banking, SEPA and SWIFT and we are principal issuing members of Visa and Mastercard across the UK and Europe.

We are regulated as an Authorised Electronic Money Institution (AEMI) in the UK by the Financial Conduct Authority and in the Netherlands by De Nederlandsche Bank. **Learn more at modulrfinance.com**

Visa (NYSE: V) is a world leader in digital payments, facilitating more than 215 billion payments transactions between consumers, merchants, financial institutions and government entities across more than 200 countries and territories each year. Our mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive. We believe that economies that include everyone everywhere, uplift everyone everywhere and see access as foundational to the future of money movement. **Learn more at Visa.com**.

Modulr works with businesses across the travel sector and many other segments to make payments work better. Through virtual cards, embedded payments and powerful integrations we offer an industry-leading payments platform trusted by thousands of businesses every day.

If you would like to start your virtual cards payments journey, speak to a member of the team today.

Contact us →