Blockchain and it's impact on corporate travel

FCM TRAVEL SOLUTIONS™
Level 2 BBBEE Contributor

Blockchain: How Digital Currencies will affect Corporate Travel

History shows that it's hard to pinpoint the exact moment exchange and trading of goods evolved into a monetary payment system.

The first-ever bank notes were met with scepticism, but were a popular alternative to carrying around large and heavy gold or silver coins.

As technology propels us into the future, affecting so many aspects of our everyday lives, is it a surprise that it has now had its effect on payment and currency?

In South Africa, the largest financial services firms have come together to set up a national blockchain aimed at boosting efficiencies and lowering account fees over time. The South African Financial Blockchain Consortium (SAFBC) hopes that their blockchain initiative will reduce the need for proof of payment emails and speed up clearing of cross-border transactions.

They believe this technology promises greater efficiency and reduced costs and could open up the ecosystem to new players, ultimately benefitting consumers.

Just like South Africa's mainstream financial institutions are putting faith and resources into blockchain, so too are we seeing an evolving trend for this system to work its way into the global travel industry... but first let's take a step back.

What is blockchain?

Blockchain (originally block chain) is a decentralised encrypted database where digital transactions can be stored and organised in a transparent, verifiable and secure way. No-one can access the leger beyond specified persons or a network of stakeholders so it helps to reduce fraud and errors, and ensure the information is auditable always.

Every time a transaction takes place it is configured into a block containing the details of the buyer, seller and the transaction. The value is taken from the buyer's digital wallet with the balance returned to the buyer and shared with the network. This block is then added to a chain, which records all transactions in the central, digital ledger.

Blockchain came about back in 2011 following the arrival of Bitcoin on the scene. The connection is that blockchain technology allows users of Bitcoin (and other crypto-currencies) to make and receive payments anonymously.

Alternative currencies in the travel industry

Bitcoin was conceived as an international currency, beyond the control of countries or banks that would allow people to pay each other directly.

A cryptocurrency or digital currency is the same as cash, but instead of carrying it in your wallet, you would carry it in a secure online wallet that can only be opened using your unique signature, or the signatures of several authorised people within your company. A payment can only be made if you have enough Bitcoins in your wallet.

There are other multinational or neutral currencies in use across the travel industry. For example, in 1969 the International Monetary Fund created Special Drawing Rights (SDR) as an international reserve asset, which are often used to draw down compensation paid by airlines for damage to baggage, injury or death.

In reality, although there's no sign that Bitcoin and other crypto-currencies will replace real-world currencies any time soon, some hotels and airlines do accept Bitcoin as payment.

Applications to business travel

There are several applications of blockchain to business travel. But only time will tell which ones gain any real traction. The most obvious use of blockchain is to simplify today's over-complicated global commercial payments process.

By reducing the number of stages, and parties, involved, costs can be cut, cashflow improved and fraud eliminated. Blockchain may not eliminate the need for credit cards, but it could become an alternative to the virtual card.

Blockchain technology could, for example, allow hotel bills to be settled instantly because systems will know what amenities have been used.

What's more likely is that blockchain will be used to verify the sending of virtual card numbers to hotels, supporting rather than replacing virtual cards. The need to pay for overseas purchases in local currencies – and the additional cost - would disappear.

With blockchain technology, credit card data is also encrypted so it provides data protection that is not offered by other technology. A cardholder's data would therefore be stored in a secure way.

Unsurprisingly, the credit card companies are keen to protect their position in the supply chain. Mastercard now offers customers ability to send money over a blockchain rather than by swiping a credit card.

Smart contracting

A potential application of the technology includes 'smart' contracting. This is a virtual agreement between two parties that automatically implement terms agreed upon between two parties, simplifying the payment and reconciliation process.

The 'smart contract' uses computer software, instead of a legal agreement to implement a contract between two parties which is executed automatically and paid for in digital currency. If a contract threshold is achieved, the contract automatically adjusts itself and payments are made when transaction data is received.

So theoretically, Blockchain could help to join up the tri-partite transactional relationship between airlines, TMCs and corporates. One ledger would record and verify tickets sold by the airline; pay the fees from the client pays to the TMC and the fares paid by the TMC to the airline.

And in the area of open booking, blockchain could become the enabler for open booking, allowing the corporate traveller to book where they want as long as it's within policy. Through blockchain, the data would be collected, consolidated and made available to the traveller and booker instantly.

Passport-free travel

For travellers, blockchain represents an opportunity to pass through passport control more quickly if IBM succeeds in creating verified identification of individuals through their smart phones. The theory is that if the system knows who you are, you don't need to carry a passport.

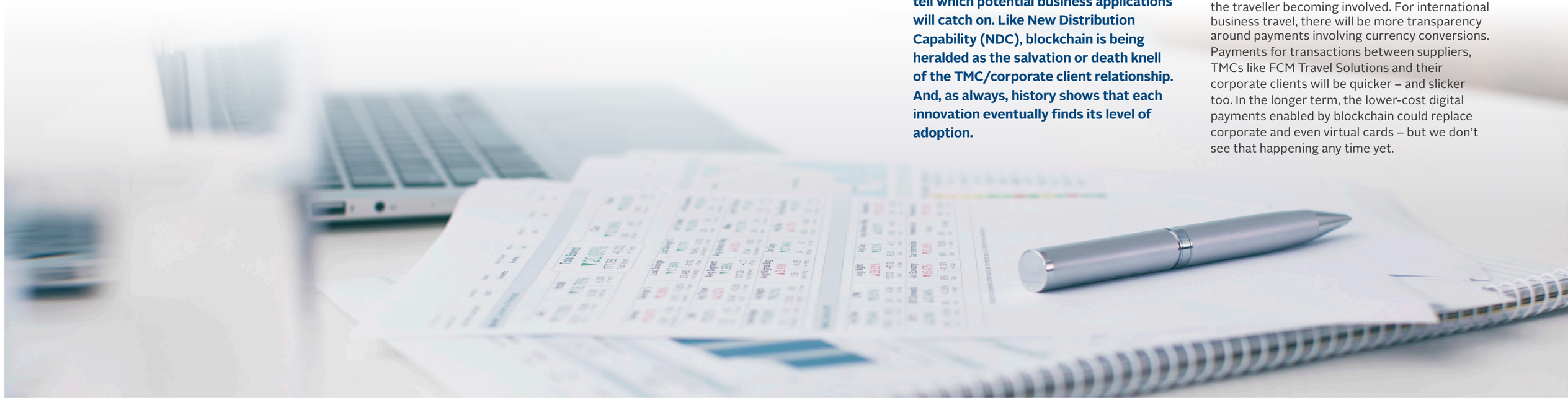
In its place would be a digital passport that would reduce the risk of identity fraud and the information being lost or stolen. Last June the Dubai government partnered with UK start-up ObjectTech to bring blockchain-based security to Dubai Airport by combining biometric verification and blockchain technology, and using a "pre-approved and entirely digitised passport" to authorise passengers' entrance into the country.

Should other airports follow suit, immigration departments would not be able to access passenger's personal details but would see confirmation that their details have been verified and matched to the confirmation using facial recognition or other biometrics.

Perception vs reality

There's a degree of excitement as well as hesitation around blockchain. Only time will tell which potential business applications will catch on. Like New Distribution Capability (NDC), blockchain is being heralded as the salvation or death knell of the TMC/corporate client relationship. And, as always, history shows that each innovation eventually finds its level of adoption.

Our take on blockchain is that its main impact will be in simplifying digital payment processes. Payments can be made automatically without the traveller becoming involved. For international business travel, there will be more transparency around payments involving currency conversions. Payments for transactions between suppliers, TMCs like FCM Travel Solutions and their corporate clients will be quicker – and slicker too. In the longer term, the lower-cost digital payments enabled by blockchain could replace corporate and even virtual cards – but we don't see that happening any time yet.



About FCM

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FCM is responsible for the travel programmes of some of the world's most successful corporate brands. It has always been personalised service that sets FCM apart from the rest and we blend this with innovative technology and unrivalled access to content to drive the optimum performance of your travel programme. Contact us today to find out how FCM can elevate the performance of your corporate travel programme.

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