



# Introduction PayNode: Frequently Asked Questions

30 October 2016

## Why is Avinode launching PayNode?

Avinode transformed the way that business aviation brokers and operators connect and do business, creating the world's first and leading B2B online marketplace for business air charter. We continue to develop new solutions that help our members do business more efficiently and profitably. The processing of charter payments is an area ripe for improvement: it is inefficient, costly and insecure, placing unnecessary strain on brokers and operators' businesses, and giving customers insufficient protection of their payment details.

In 2015, Avinode initiated a project to evaluate the payment flow in the business aviation market with the goal of understanding the current hurdles involved in the process. Based on customer input and the realisation that the payment procedure is a true industry pain point, Avinode made the decision to enter the payment space with the ambition to build and launch the first ever payment platform specifically targeted at the business aviation market: PayNode.

## What are the PayNode products?

- PayNode is the world's first end-to-end payment platform for the global business aviation industry.
- PayNode allows brokers and operators to reclaim their time, lower the risk of exposure, simplify cross-border payments and increase profitability.
- Working exclusively with American Express on its first product, a credit card solution, PayNode makes credit card payments easier and more seamless for Card Members, brokers and operators.
- This will be followed with a comprehensive 24/7, 365 payment flow solution including bank wire transactions, instant settlement, notification and fund movement – independent of geographical location, transaction currency and transaction value.

## What is wrong with today's card payment processes for business aviation?

Currently, it takes too long for brokers and operators to be paid after a service has been rendered. Using regular credit cards, payment currently takes 3 days in the US; 6 days in the UK; 7 days in the rest of Europe. Using third party Payment Service Providers, it takes 30 days. Payment can be further delayed through the issue of chargebacks and disputes over specific details, which can delay settlement of a whole transaction amount.

## Why are chargebacks a problem?

Chargebacks are when a payment card holder seeks a refund for all or part of a payment they've made using their card. They seek a refund from the card issuer, which in turn seeks a refund from the merchant. Chargebacks can be claimed up to a year after the payment was made.

In business aviation, chargebacks arise most often when the service delivered differed from what was booked, for example if a flight was made on a different aircraft type than the one originally planned, or if catering arrangements did not meet expectations.

Chargebacks create three problems for operators and brokers:

1. They face a year in which refunds may be sought by customers, meaning profits may ultimately be lower than expected.
2. Investigating historic chargebacks can be time-consuming administrative work, looking to build a paper trail from multiple records.
3. If a chargeback claim arises before the merchant has received payment, the card issuer will withhold the entire payment, even if only a small cost element is being challenged. This severely impacts merchants' cash flows.

## What else is wrong with today's card payment process?

- The current payment process takes too long, taking on average 30 minutes per transaction using an old-fashioned paper trail.
- Furthermore, it is very insecure with cardholders' details. Some 80% of transactions involve the merchant requesting faxes or scanned copies of the payment card, plus other personal information from the customer, which are then held as hard copy in lever-arch files. The merchant also takes payment without the customer being present, entering their card details into a Point of Sale terminal. Together, this situation does little to protect the customer's data and financial interests.

## How quickly will transactions be processed?

Using the PayNode system from start (entering flight details) to hitting 'send' to customer takes less than 60 seconds. The buyer can pay as soon as they receive the payment request via email. Settlements are then made after confirmation that services have been rendered, so the money will be in the merchant's bank account the following day.

## How does PayNode get brokers and operators paid quicker?

- PayNode receives and holds the cardholder's payment until after the service has been rendered by the broker or operator.
- Prior to releasing the payment to the merchant, PayNode confirms that the service has been rendered to the satisfaction of the customer.
- If the customer wishes to challenge an element of the bill, this can be done at the level of individual line-items without delaying the payment for the rest of the service.
- The broker or operator is able to offer refunds to the customer within the PayNode system immediately, enabling an immediate resolution of any financial dispute.

## How does PayNode save brokers and operators time?

- PayNode's quick and simple process saves management time in payment processing and resolving disputes.
- Using the PayNode system from start (entering flight details) to hitting 'send' to customer takes less than 60 seconds. Currently, on average, payment processing takes 30 minutes.
- Simplifies cross-border payments and processes, independent of location, currency and transaction value.

## How does PayNode save brokers and operators money?

- PayNode increases profitability through competitive processing rates for all users. This combined with faster pay out terms, settling within 24 hours of delivering service, will significantly improve revenue management.

## Does PayNode have access to customers' financial information?

No. Any sensitive data is encrypted before being held securely by our partner Multi Service Technology Solutions, Inc. (MSTS), who specialize in closed-loop payment programs and transaction processing. They manage all the financial administration and processing behind the scenes of PayNode. This is to ensure the safest, most risk-free experience for all parties.

## What is PCI DSS and why do brokers and operators need to comply with it?

The Payment Card Industry Data Security Standard (PCI DSS) is a proprietary information security standard for organisations that handle branded credit cards from the major card schemes including Visa, MasterCard, American Express, Discover and JCB. Any broker or operator accepting payment cards from these issuers is required to have compliant processes in place to ensure that customer card data is securely protected.

## Do you have to be an Avinode member to use PayNode?

No. Although PayNode will be seamlessly integrated into the Avinode Marketplace and our SchedAero aircraft and crew scheduling software system, you will not need to use either system to benefit from PayNode. Non-Avinode/SchedAero users will instead be able to manage their payments via PayNode's own portal. It is free to sign up to PayNode.

## What is the average value of a charter transaction?

According to Avinode, the average value of a charter transaction is US\$35,000.

## What next for PayNode?

In the foreseeable future, PayNode will explore opportunities for growth in non-aviation payment sectors, however we are starting with the industry we know best.