ARLINE & TRAVEL DATABLES 2025

New Forms of Payment

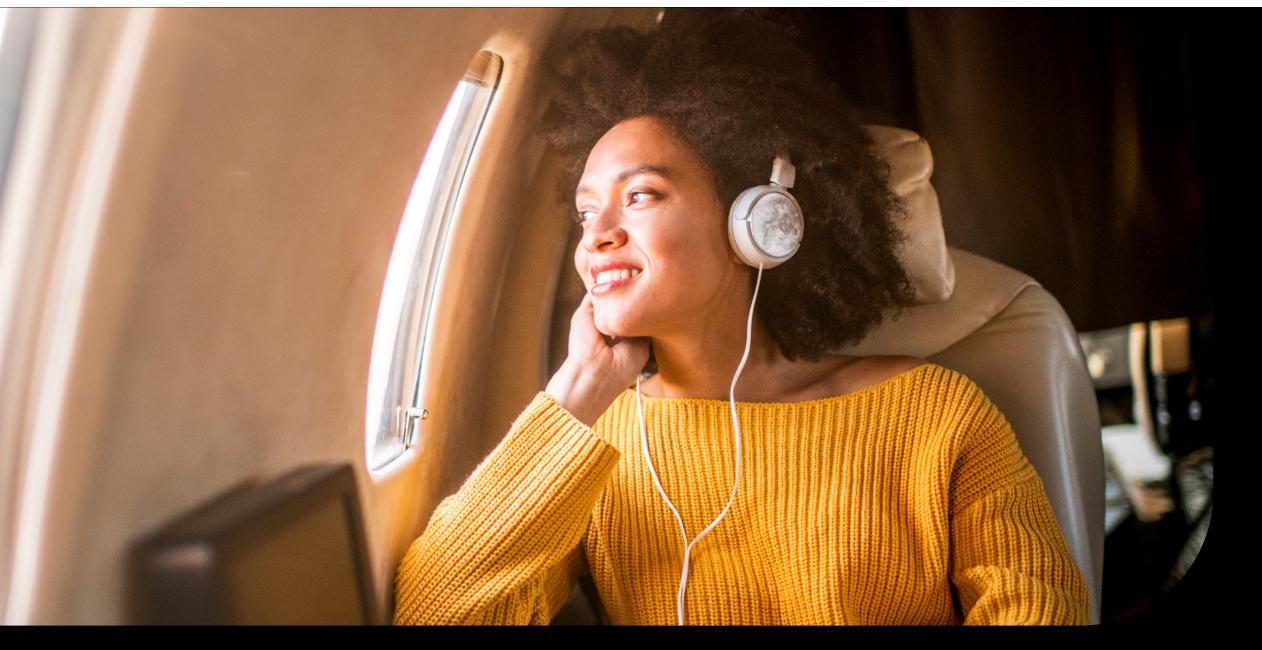


Successfully navigating new forms of Alternative Payment Methods

There's perhaps no other market as globalized as Travel; your customers could come from each and every corner of the world. While this poses opportunities, it also creates challenges: payment expectations in one country don't necessarily align with preferences in another. With over 300 Alternative Payment Methods (APMs) around the world for travelers to choose from, there's no "one size fits all" solution for travel players.

Worldpay's 2022 Global Payment Report highlights the ever-growing importance of APMs as they surpass cards in popularity. Despite a historic focus on eWallets, the variety of APMs is multiplying as their benefits continue to evolve. Merchants should keep their finger on the pulse on the rapidly evolving payments landscape and continue to innovate to keep their customers coming back.





Why are APMs taking off?

Here are three reasons why airlines and travel players are adding APMs to their websites:



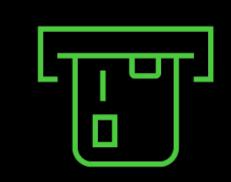
1. Greater customer footprint

Innovative payment methods are not just appealing for younger, digitally native buyers, but are also opening doors to unbanked populations. Over the past ten years, eWallets in APAC have been an effective way for merchants to engage digitally disenfranchised buyers and now account for 69% of all eCom transactions across the region.



2. Enhanced customer experience

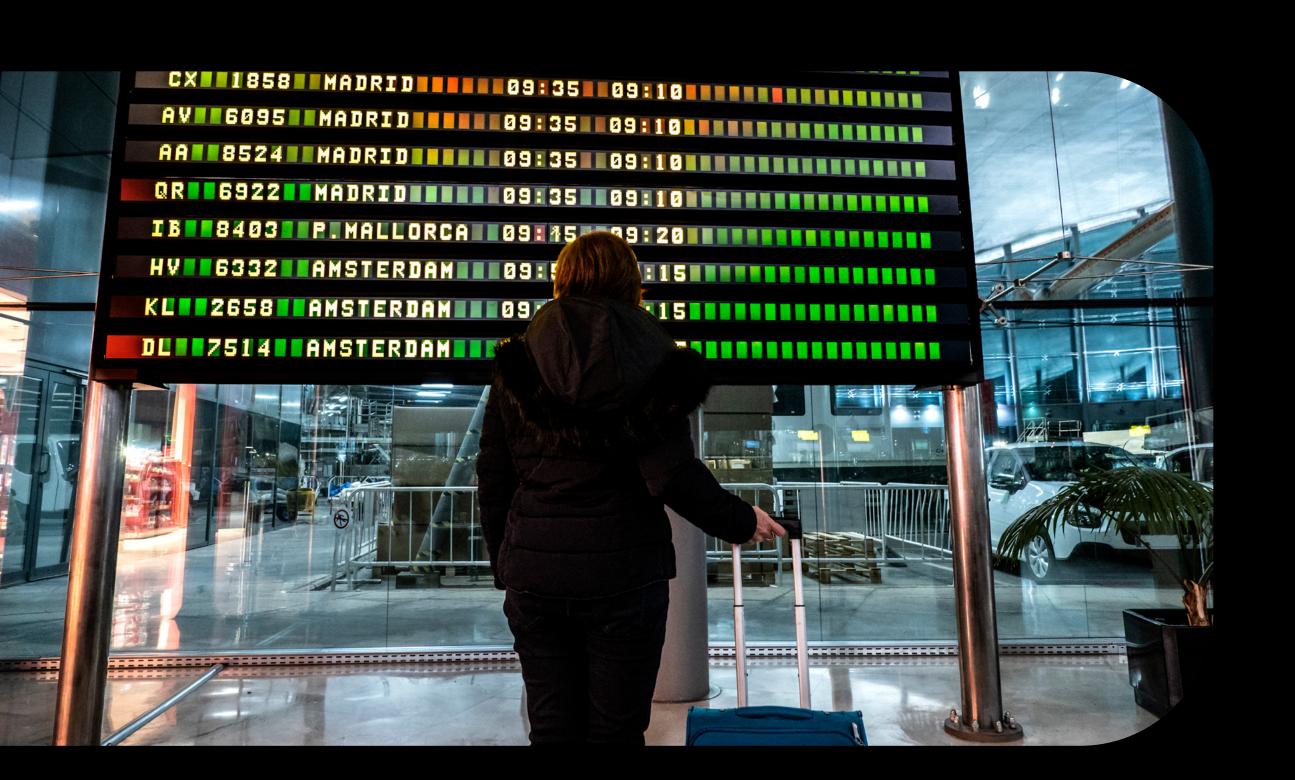
One key benefit of eWallets is that they can streamline the checkout flow, whether the purchase is being made via web or mobile app. Wallets such as Apply Pay, Amazon Pay, Google Pay and PayPal act as "wrappers" for traditional cards, creating a better experience preferred by 75% of consumers. While customers appreciate the fresh user interface and user experience, integrated security features also help merchants mitigate risk.



3. Better B2B payment processing

Traditionally cash, check, bank transfers, and IATA BSP flows have been the B2B payment methods of choice. More recently, virtual cards have risen in popularity, but while convenient for travel agents, virtual cards can result in high scheme fees for airlines.

Certain populations are more open to the adoption of payment innovation. In Brazil, 43% of consumers are interested in using cryptocurrency. In contrast, Australians are more hesitant to adopt crypto, with only 19% inclined to try this innovative payment method, and instead choose to use Buy Now Pay Later or eWallets. B2B payment innovations are helping airlines to optimize processing and cut costs. Open Banking is opening doors by overhauling the traditional "four-party process flow", and instead empowering travel businesses to initiate payments directly to their vendors (e.g. airlines).



At Worldpay, we understand that enhancing and streamlining payments is essential to travel companies' overall success. We work with clients globally to custom build B2B and B2C payment strategies that fit the unique requirements of travel businesses.

The cost of APMs should still be considered

While the benefits of implementing new APMs are clearly documented, there are also implications that should be addressed:

Cost

It's essential to understand the commercial terms of APMs and how merchant fees will compare to current options offered.

Risk

New payment options may increase exposure to fraud and chargebacks. There's also a level of uncertainty associated with how well a new payment option will be adopted – and for how long.

Support

Implementation costs and an overall increase in required human resources to manage the new process, reporting, and reconciliation also need to be factored in.

Key insights for the future

To explore how the future of travel payment strategies might be shaped, we hosted a threeday workshop with some of the brightest minds across the Airlines & Travel Payments industry.

We focused on current affairs and shared what we believe will be the most important trends emerging now and growing in prominence over the next couple of years. We discussed macroeconomic circumstances and underlined how new forms of payment can be an important avenue to generate growth while maintaining security. **Click to watch** Here's what some of the group had to say:



Ones to watch: BNPL, Open Banking and Cryptocurrency

Buy Now Pay Later

BNPL options such as Uplift and Fly Now Pay Later have multiplied as customer demand surged towards the end of the pandemic. Within travel, this loan model resonates with customers as vacation expenses can be placed outside essential budgetary items, such as groceries or rent.

BNPL is also enabling merchants to mitigate risk: Customers take out loans with the BNPL provider, and thus the liability shifts to the partner. It's also an excellent example of how payments can be a revenue stream, as it may encourage travelers to spend more on ancillaries by breaking down costs into monthly increments. When BNPL options are displayed throughout the booking process, customers purchase more upgrades, checked baggage, insurance, and more.

While becoming more popular as a payment method, it's anticipated the number of BNPL options will consolidate and only the best options will gain market share.



"It's important for customers to be able to book travel now and spread the cost over affordable monthly payments, rather than paying in full at booking. Surprise-free monthly payments could also give customers the opportunity to see how an upgraded travel experience can be more easily accessible for just a few additional dollars a month. With Uplift, customers see the total cost of their trip upfront along with the monthly payment amount and can choose from 3, 6 or 11 monthly instalments."

Tom Botts, Uplift CCO



Open Banking

Open banking, specifically in the OTA logistical chain, delivers game-changing agility by potentially shaving off days between the initiation of transaction and settlement.

Delays in processing result in Network fatigue, and payees want to find ways to receive funds faster. Travel agencies can pay vendors based on their respective fulfilment policies, which further streamlines the B2B payment experience for travel providers working on the backend.

Open banking also shines a spotlight on the cumbersome B2C and P2P payment flows that have historically been accepted as the status quo. This is driving innovation across the payment space, with one example being the growth in popularity of real-time payments in regions such as Europe and newly emerging markets. However, resistance from users that prefer to pay using credit cards, for example in the US, could slow progress with real-time solutions, due to the benefits and protections currently offered by traditional plastic.

Merchants should consider how real-time payments can be incentivized if they want to decrease the time and cost of settlements and processing. This uptake could be achieved by offering rewards for using preferred payment options, utilizing the revenue uplift of these payment methods over those with higher fees to reward such schemes.

Cryptocurrency

Travelers who make purchases via crypto tend to be frequent flyers purchasing first class. Those who fly five times or more per year are

Recent Worldpay research found that the number one pick for crypto expenditure is travel, yet despite consumer interest, merchants have been slower to accept it as a viable payment method. Ultimately, the continued volatility of cryptocurrencies gives some industry leaders pause.



twice as likely to use crypto compared to those who travel less than once a year. This finding aligns with the overall trend that crypto is a popular means to purchase luxury goods and can be an effective way for merchants to increase revenue and appeal to a new customer base.

Central Banks have also begun to explore this area, offering their own digital currencies (CBDCs). Tech-savvy customers may show additional interest in CBDCs as they are sovereign-backed and provide a perceived increase in security protection. Airlines that offer this low-cost digital currency may attract more customers already leveraging CBDCs.

Travel providers can offset some risk associated with crypto by relying on gateway providers such as Coinbase, Crypto.com, and Bitpay. This flexibility allows merchants to receive 100% of settled funds in fiat, or receive a portion of the revenue in crypto, allowing them to hold crypto without actively purchasing. This flexibility is key to pacify scepticism, giving time to understand the true value of digital currency before investing more resource and time in managing it.

In Conclusion

New forms of payment are continuing to gain traction, posing ample opportunities for travel players. While the upside is clear, merchants will need to evaluate the cost and technical implications to ensure they make the best decisions for their company and customers. Payment options that bring value to all parties, including airlines, OTAs and customers, are expected to have the most success.

Each region has unique trends based on digital engagement and banking preferences. With digital and financial maturity varying across the world, global players should attempt to find the sweet spot between providing payment choice and an exceptional user interface.

Partnering with Worldpay helps merchants cut through the noise and prioritise initiatives based on customer preference. Payments is not a one size fits all operation, and we work with our customers to ensure the company's goals are achieved and customer's preferences are being met across the globe.

Author: Rachel Herrera, Head of Airline and Travel Partnerships

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Email: airlines.travel@fisglobal.com



Payments 2025 highlights the key trends shaping the future of payments across key industries. Using our years of experience and leveraging our vast network of specialists from across the industry and beyond, we share expert opinions and recommendations. We explore the social, economic, technological and environmental factors that will shape the next few years, so we can help you prepare for tomorrow.

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