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Paysafe

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The future of payments in travel

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Why travel companies need to offer multiple payment methods online, and how to do it

Digitalization hasn't just changed the way people shop and pay for travel, it has raised customer expectations – over price, over user journey and, increasingly, over ways to pay. Travel companies could be forgiven for thinking that matching those expectations will be a complex and costly integration project on their online checkout page. But it needn't be. And travel companies must keep up if they're to stay in the game.

We all know that travel retail is evolving. Comparison sites are pushing down the cost of travel, meaning more people are able to travel further, more often, and at shorter notice. Online travel marketplaces aggregate offers and prices, and access to information on all the possibilities is only a click away. When we shop online, we feel in control. Adding to this sense of control are personal recommendations from other customers, buyers can simply log into a site like TripAdvisor, weigh up the pros and cons, and make up their own mind. Such freedom and independence are hard to resist.

This unrelenting demand for affordable travel is narrowing profit margins and creating greater competition between all travel businesses, particularly airlines, where price is a key differentiator.

But despite the rapidly evolving landscape, established travel businesses have demonstrated resilience and a commitment to adapt in the face of change. Disruption will continue to play a role in shaping the future of the industry, but forward-thinking agents and services are already innovating and will continue to be at the forefront of travel as it enters its next stage. Partnering with the right technology providers will be critical in achieving this.

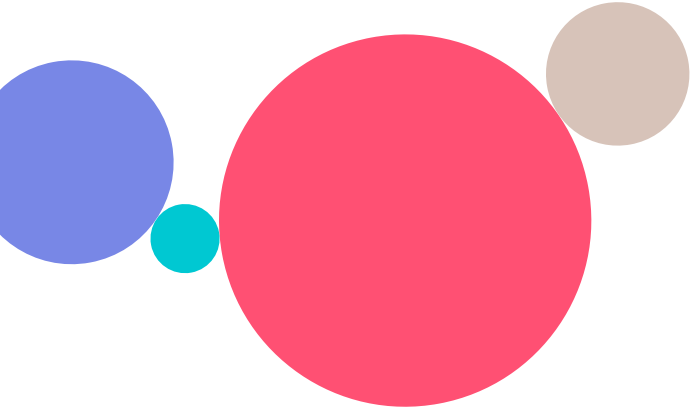
Customer expectation is king

One area that will be critical in the next phase of the evolution of travel is payments, and technology is disrupting the payment landscape too. We no longer rely only on credit cards for paying online; new payment methods are competing for market share as they filter into the mainstream. And with the refinement of interaction design and UX principles, customers expect a good user-experience when shopping and paying for travel.

To remain competitive, travel companies must meet these expectations by being mobile-first in their design, and offering the preferred payment methods specific to each region. While it's true that cards remain the online payment method of choice for many, businesses who rely on them alone are unwittingly turning their backs on a sizeable market share.

And what about paying for goods and services while on the move? App-based services such as Uber are catching on – with older customers as well as young – meaning that there will be pressure on travel companies such as airlines and cruise operators to offer similar in-app payment methods.

Forward-thinking companies know that offering more payment methods – the right ones – doesn't simply mean convenience for the customer; it could open up entirely new revenue streams.



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New payment methods, please

There are many reasons why some customers opt for the company who offers their preferred payment method – one of course being familiarity and therefore trust. But, because this breed of online customer is able to hunt for the best deal or even book directly (which in either case may be based overseas), it makes commercial sense for a travel company to offer the right selection of payment methods at the checkout.

Local payment preferences is a growing trend

The payment landscape is fragmenting now that credit cards aren't the only players and preferred payment methods differs from country to country. Paysafe's *Lost in Transaction 2018* survey of buying habits in the UK, Canada, US, Germany, and Austria, revealed how developing regional payment preferences are diversifying the overall ecosystem for international businesses. In China, for example, Alipay is very popular and in Eastern Europe cash-on-delivery has the lead. Payment by invoice still dominates in the DACH region.

Even in regions where most payments are made by card, such as the US and Canada, customers increasingly expect flexibility over how they pay – options such as digital wallets and online cash are increasingly popular.

Our survey indicated that travel companies, aware of this trend, are responding by opening up their checkouts to more payment options, particularly where cross-border commerce is critical to their success.

Avoiding fees and FX

Exchange rates and fees are one of the biggest concerns for customers making cross-border payments, and travel companies hoping to sell to customers abroad must recognize this.

Some Alternative Payment Methods (APMs) are better suited to cross-border payments than traditional cards. So, offering a range of payment methods at checkout gives customer and operator a way of sidestepping fees and poor exchange rates.

Reducing fraud risk

Preventing fraud is a key priority for any online retailer, especially those handling large numbers of cross-border payments. Why? Because traditionally fraudsters have viewed cross-border payments as an easier target. The lack of one, single, overseeing body, and the different regulations by country, coupled with a lack of transparency once a payment has been made, make cross-border payments fraud very attractive.

Offering APMs is one way of subverting the risk of fraud. So too is working with Payment Service Providers (PSPs) to embed robust fraud management. The advantage of APMs such as digital wallets is they assume the risk and bear the consequences of fraud; so travel agents who encourage customers to use these methods dilute their risk.

New payment methods, please

(continued)

Financial exclusion remains an issue

Despite efforts to improve financial inclusion, recent research suggests that up to 40 million Europeans (approximately 10% of the population) have no bank account, and up to 130 million European citizens are considered 'financially excluded'.

Reasons vary as to why people have no bank account. Some distrust traditional banks. Others feel no need for a bank since they live in areas in which cash prevails. Then there's the gig economy, which tends to pay cash.

Whatever the reason, the 'unbanked' will never be customers of companies who offer only card payments. But travel agents could offer cash replacement voucher systems, or the ability to pay at a physical outlet for services shopped online.

Travel lends itself to alternative credit

Where credit cards still dominate it is often because the need for travel is unexpected and the cost tends to be high. Nevertheless, customer awareness of alternative credit solutions is growing. Paying by invoice or payment by installment could be more cost-efficient and practical than credit cards, and can give the travel company a competitive advantage, particularly as the customer can see that immediate payment is not the only option from the moment they begin browsing.

Open Banking and PSD2

The Second Payment Services Directive (PSD2) came into effect in January 2018 and it's a game-changer for digital commerce. Banks must now give regulated Third-Party Providers (TPPs) access to the customer's bank account. The upshot is that TPPs can build new data-driven financial products and process payments direct from a person's bank account. The TPP that processes the payment could even be the business itself.

eCommerce and industries such as travel and hospitality should be alert to the impact of PSD2; from September 2019, banks will have to comply with the EU's Regularity Technical Standards on Strong Customer Authentication and this should standardize the way third parties are given access to customer accounts, allowing for greater innovation in this area.

PSD2 removes reliance on card schemes by TPPs, since it will be possible to process a payment between a customer and merchant bank account alone. As customers become used to buying online using direct bank transfer payments such as Paysafe's Rapid Transfer, demand for this payment method is expected to increase. The Netherlands, where bank transfer is the most popular form of online payment, is one example of the growth potential of this method. It goes without saying: the travel companies who fail to integrate these new payment methods will get left behind.

Choice at the checkout: The challenge for digital commerce

Keeping up with payment technology is undoubtedly complex, technically and commercially. Travel companies face numerous challenges, whether they are expanding into new geographical markets and trying to *offer those customers their favourite ways to pay*; or they simply wish to include the latest APM in their checkout.

Here's the first challenge:

To offer new ways to pay, online travel companies must integrate with multiple payment systems across multiple channels, sometimes using older API protocols that are more restrictive in coding.

Those who rely on contracts with one or more PSPs must hope that their provider offers the new methods. Many, however, don't. Yet the volume and pace of emerging APMs and customer expectation, rather than slowing, is set to rise exponentially.

Second, eCommerce sellers are faced with a dilemma:

They want to offer a frictionless customer experience but keep down fraud, card declines, and the cost of transactions. In Paysafe's *Lost in Transaction 2018 report*, 70% of online businesses surveyed reported a struggle balancing security with a quick user journey. Almost half (41%) said that although cart abandonment was a significant problem, it was still secondary to cost, card declines, and fraud prevention.

How travel can benefit from NextGen payment technology

A new breed of digital payment solution has emerged in response to these challenges: the **Next Generation Payment Providers (NGPPs)**. Broadly, NGPPs focus on agility, shorter time-to-market, user experience (UX), and a developer-centric approach to documentation.

Using open APIs for the quick integration of new payment methods and data exchange, NextGen technology can enable online retailers such as travel companies to form clusters ('ecosystems') for upselling and cross-selling, in which customers can pay and manage their payment data. Besides booking flights and searching for accommodation, travel customers might also need car hire, a seat upgrade, inflight media entertainment and food, plus day trips and events, making travel the ideal testbed for experimenting with this kind of commercial scalability.

Behind the scenes, a secure hub will store customer data (with customer consent). Ecosystem partners are then able to exchange that data, without having to handle it themselves, by using tokens. What does it mean for customers? They only ever need to add or amend their data once for it to apply across the entire ecosystem. In other words, one-click and express checkouts become real possibilities yet ecosystem partners remain exempt from onerous Payment Card Industry DSS compliance, as sensitive data never actually passes through their hands. Not only that, the technology exists for these transactions to even take place in real time in the sky.

The open modular system that characterizes NextGen payment technology is ideal for any travel-related retailer needing to keep pace with customer demand and integrate APMs quickly. When a young generation of shopper is being weaned on mobile payments and eWallets instead of traditional credit cards, these fast integrations are critical to the future of digital commerce.

But just as vital is UX, the bedrock of customer loyalty. Its absence can easily break an online sale, through abandonment. Another key characteristic of NextGen technology is its emphasis on UX and, since travel customers are very likely on the move and using mobile devices when they make transactions, travel and NextGen could be a match made in heaven (or not far beneath it).

Next steps

The travel industry will continue to evolve at an increasing pace, so businesses in this industry cannot afford to adopt a wait-and-see approach to overhauling their payment systems. Here's our three-point guide to steps travel companies can take today:

1. Know your travellers

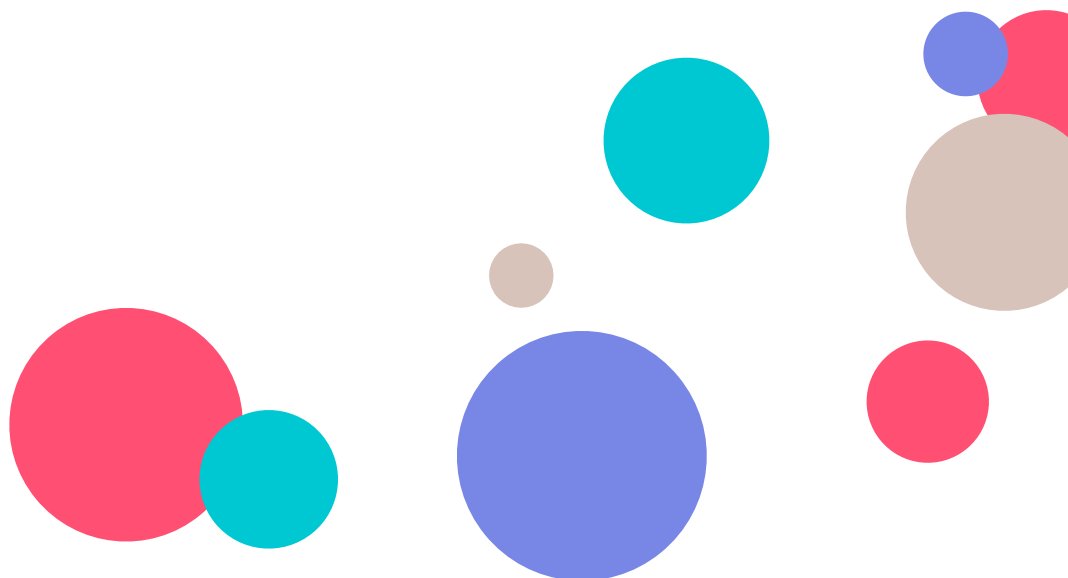
Before you change your payment strategy, understand what your customers desire and expect in the way of available payment methods moving forward. To identify preferred payment methods today, break down your entire customer base by location, age, mobility, and access to banking. For Gen Z and Millennials, ensure that you offer easy-to-use alternative payment methods, especially ones that enable on-the-move payments across all devices.

2. Think long-term

It's only a matter of time before a fresh set of challenges emerges regarding your payment infrastructure. So, adopt a forward-thinking approach to handling your payments. If you're running on outdated technology, be bold: commit the cost and time needed to replace your legacy payments infrastructure. It will pay off in the long run. Integrating a NextGen payment platform alongside your upgrade will ensure you keep pace with innovation and are able to introduce the technologies your customers want, cost-efficiently and quickly.

3. Talk to the experts

Offering the payment methods customers want – and expect – is easier than you think, so reach out to the experts and begin your integration process now. When you team up with the right partner, giving customers their favourite ways to pay is easy, affordable and, dare we say it, a commercial no-brainer.



About Paysafe

Paysafe is a leading global provider of end-to-end payment solutions. Its core purpose is to enable businesses and consumers to connect and transact seamlessly through industry-leading capabilities in payment processing, digital wallet, card issuing and online cash solutions.

With over 20 years of online payment experience, an annualized transactional volume of over US \$80 billion, and approximately 3,000 employees located in 12+ global locations, Paysafe connects businesses and consumers across 200 payment types in over 40 currencies around the world.

Delivered through an integrated platform, Paysafe solutions are geared toward mobile-initiated transactions, real-time analytics and the convergence between brick-and-mortar and online payments.

In the past decade we have built our travel sector expertise, supporting the world's top global travel companies, operators and tech platforms with robust payment solutions that are tailored to meet the specific needs of the industry.

With our network of local alternative payments and multiple settlement currencies, we can help your business reach a truly global audience.

For more information visit us at www.paysafe.com

About optile

optile is a next-generation payment platform that delivers a complete virtualization of the global payment market and thus serves as a cloud infrastructure for all payment methods, providers, processes, and data structures. With optile's open payment platform, businesses can leverage unlimited payment opportunities by accessing any payment method and provider worldwide. Hence, they can gain independence, flexibility, and freedom in choosing the payment solution that fits their own business strategy. optile's platform comes with a significantly reduced implementation time as well as minimizes technical and operational expenses. Meanwhile, end-customers can benefit from a whole new level of personalized payment experience due to optile's advanced checkout architecture.

optile serves digital leaders and technical platform businesses from retail, travel, dating, gaming, and other industries.

For more information visit us at www.optile.net

