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**edgar,
dunn &
COMPANY**

AROUND THE WORLD IN 80 WAYS TO PAY

An in-depth analysis of global traveler payment preferences



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INTRODUCTION

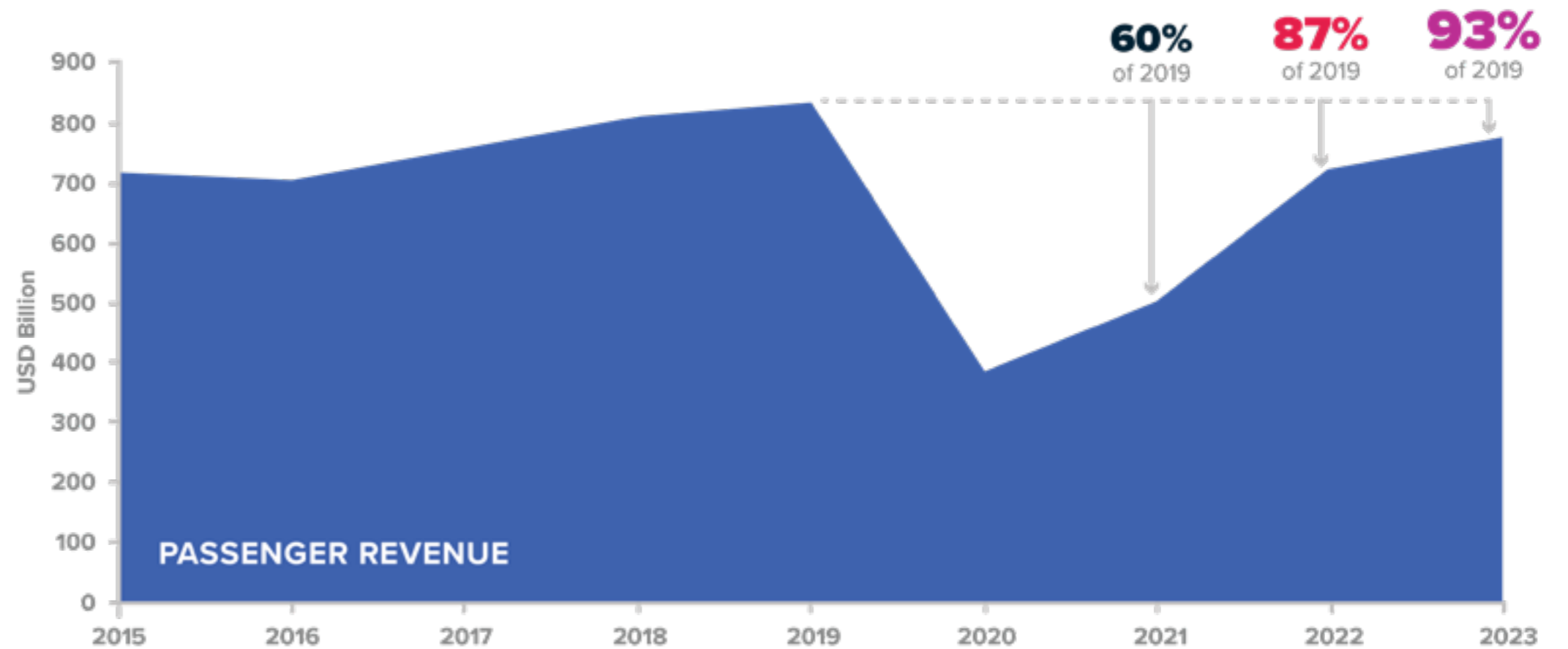
The COVID-19 pandemic brought the travel industry to a standstill, but it is now steadily heading towards pre-pandemic levels of activity.

The International Air Transport Association (IATA) reported a strong year-on-year increase of global airline revenues from 2021 levels, a positive sign for the industry's recovery.

The pandemic also exposed some challenges airlines and travel agencies face when it comes to payment processing. The crisis highlighted the need for them to adapt to changing consumer preferences and provide a seamless experience.

As global airline revenues approached 93% of 2019 levels, optimizing payment will become even more important for the industry to make it a sustainable and profitable recovery.

Global airlines revenue, USD billions:



Source: IATA Economics based on data from DDS

To support recovery and unlock value creation, having a good understanding of payment-related cost and revenue drivers is crucial. Edgar, Dunn & Company (EDC) has identified four cost and two revenue drivers associated with payments:

Payment cost and revenue drivers that need to be optimized

COST DRIVERS



REVENUE DRIVERS



Source: EDC

Cost drivers:

Payment fees:

This includes business fees for all forms of payment, payment gateway fees and FX fees.

Fraud & Losses:

The value of all payments-related fraud losses, as well as unrecovered receivables from BSP/ARC “Cash” or “on account” transactions.

Operating expenses costs:

The internal resources involved in payment acceptance (e.g., staff required to manage relationships with acquirers and gateways), chargeback costs and payment-related compliance costs.

Cash-flow related costs:

Cash-flow costs typically include the cost of delayed settlement from acquirers and BSPs/ARC in addition to the cost of providing guarantees.

Revenue drivers:

Market reach:

Refers to the business’s ability to accept relevant payment methods from customers across various markets. This includes the business’s ability to accept and process payments from customers using different currencies, local payment cards, digital wallets, and other payment options.

Payment conversion performance:

The ability of a business to convert website visitors into paying customers. Factors that can impact conversion performance include the ease of the payment process, the ability to avoid card declines, etc.

Building on this foundation, the Travel Payment Study analyses the exogenous factors that may drive the aforementioned items.

What are the customer expectations and reactions to the payment pages and policies travel providers have implemented?

Do travel providers get it right when it comes to meeting these expectations? Travel providers need tangible data they can leverage to inform their payment strategy across cost and revenue drivers.

To gain this valuable data, we partnered with EDC to investigate payment topics on both the traveler and seller side.

We conducted:

- a global consumer survey where we asked 5,000 respondents in 10 markets about their payment experience and expectations when buying travel online;
- a global benchmarking exercise where we analysed 130 travel website payment pages (airlines and online travel agencies) to determine how these companies measure against their customers' expectations.

Four main pillars were explored during the consumer survey and the payment page benchmarking analysis:

FLEXIBILITY

Evaluates the travel provider's ability to cater to travelers' expectations when it comes to payment options and personalization.

SECURITY

Measures the travelers' perception of the security associated with the buying process.

CONVENIENCE

Collects travelers' feedback on the ease of use, checkout speed, personalization, and mobile-friendliness of online travel providers' payment processes.

TRANSPARENCY

Aims to assess how well travelers understand the wording and terminology used on travel provider websites, particularly those which refer to payment process features such as pricing, fees, refunds, and payment history.

FLEXIBILITY

How crucial is it for travel providers to cater to their consumer's diverse payment requirements?

Do features such as “Buy now and pay later” hold significance for travel customers?

Do frequent travelers react similarly to non-frequent travelers when their preferred payment methods are not available?

Based on the IATA 2020 Global Passenger Survey (GPS), travelers seek a hassle-free experience while planning their journeys.

They expect all booking options and services to be available in a single location, and 82%¹ of them prefer paying with their desired payment method.

Payment flexibility encompasses a range of options that travel providers can offer, such as offering alternative forms of payment, payment plan choices, split payment alternatives, the acceptance of multiple currencies, and the ability to book on behalf of someone else.

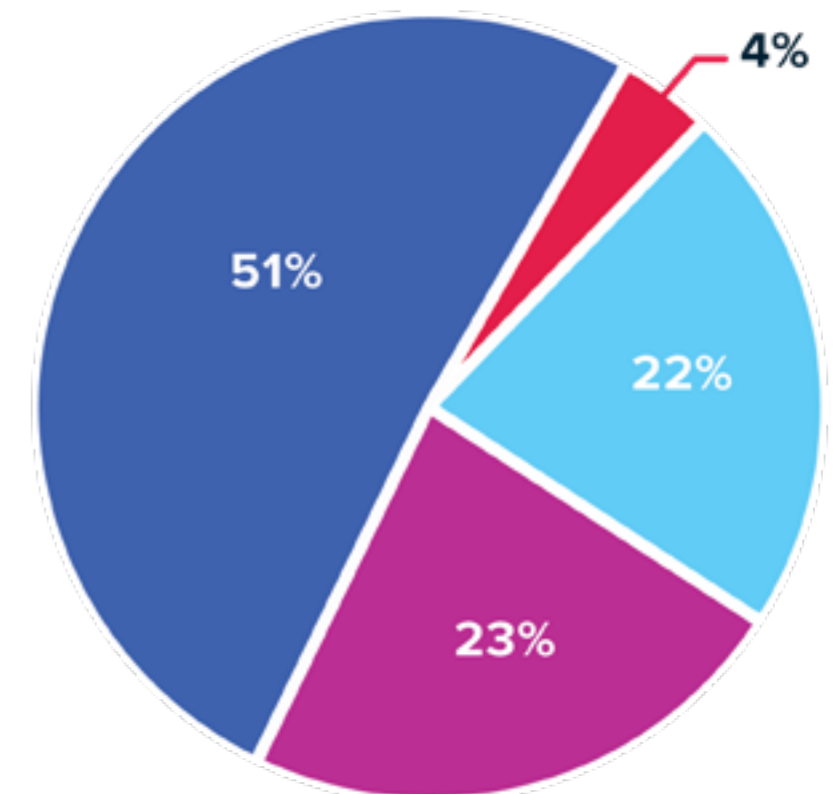
Preferred payment methods

Based on the consumer survey undertaken as part of this study, 74% of travelers will not make a purchase if their preferred payment method is not available, highlighting the importance for airlines and online travel agencies to track and offer a range of relevant payment options.

Among those within the 74%, very frequent travelers (15+ flights in a year) are significantly more inclined (42% highly likely) than any other segments to abandon their shopping cart if their preferred payment method is not available.

Frequent travelers are often eager to use payment methods which enable them to take advantage of rewards or points to redeem against other trips.

How likely are you to abandon your shopping if your preferred payment method was not available on the checkout page?



¹ Convenience is top priority for passengers | Airlines. (iata.org)

Missing out customers' preferred payment methods can result in revenue loss for airlines, as 74% of our survey respondents are likely to abandon shopping if their preferred payment method is not available.

Alternative Payment Methods (APMs) are rapidly gaining popularity among consumers in specific markets. Alipay in China or Boleto Bancário in Brazil are examples of that trend.

Subsequently, we have asked travel customers to name their top preferred payment methods in 10 markets spread across all continents:



Payment Orchestration

To get it right, airlines can leverage payment orchestration platforms that connect to payment partners and help optimize the payment process.

An orchestration layer enables travel providers to easily adapt to local payment methods and currencies, enhancing the customer experience and improving conversion rates.

According to the survey, nearly half (49%) of respondents expressed a strong preference for viewing prices in their preferred currency.

Furthermore, payment orchestration platforms streamline the integration and management of multiple payment providers, such as acquirers, payment gateways, and fraud prevention providers.

In summary, they offer access to various payment methods and optimize payment performance, making them a valuable tool for any airline seeking to maximize revenue and customer satisfaction.



BNPL (Buy Now Pay Later)

ABTA (Association of British Travel Agents) claims that BNPL has gained significant popularity in recent years, driven by the rise of eCommerce, and further accelerated by the COVID-19 pandemic².

As an example, Apple recently launched "Apple Pay Later" as part of its digital wallet implementation, allowing users to split purchases into smaller instalments.

Offering BNPL provides customers with more payment options, leading to greater flexibility and choice.

ABTA reported that during the pandemic, more than a third of businesses across various industries who offered BNPL saw a 41-50% increase in use, highlighting the growing consumer preference for this payment method³.

Our survey supports that trend. Today, over 70% of respondents are likely to use BNPL payment options when making travel purchases.

BNPL offers significant financial protection to businesses as they typically receive payment from BNPL providers, leaving BNPL providers responsible for collecting client instalments.

This arrangement shields the business from the risk of delayed or missed payments. Additionally, BNPL enhances affordability for consumers, serving as a viable alternative to traditional credit.

Despite these benefits, only a minority of benchmarked travel websites currently offer BNPL payment options.

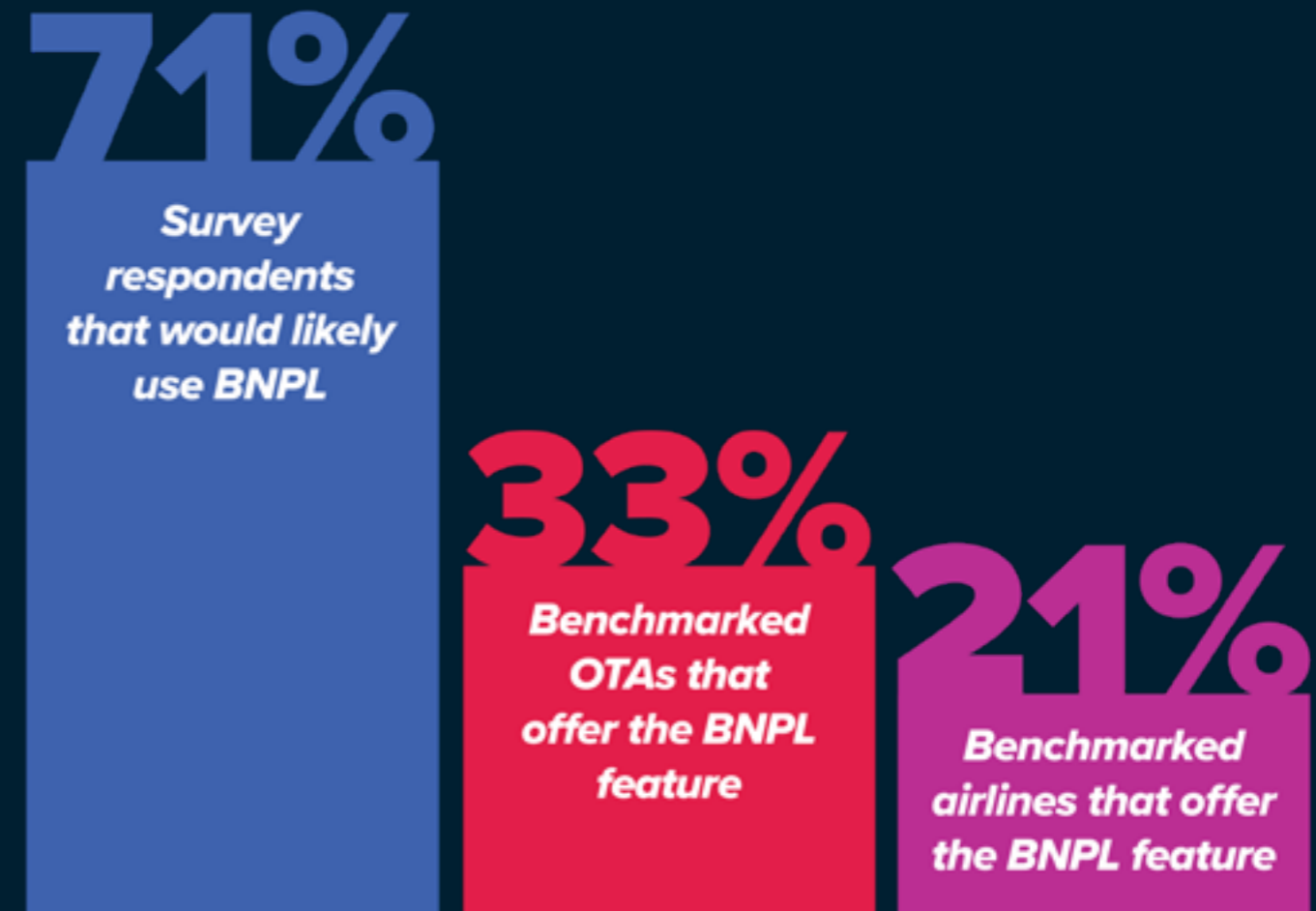
According to a 2022 SaleCycle study titled "*Why Abandonment Rates Are Higher for Travel Sites*"⁴, BNPL can effectively reduce consumer abandonment at checkout for travel retailers. However, despite these benefits, the benchmark conducted indicates that BNPL has yet to become an industry standard.

The survey further demonstrates that frequent flyers are even more likely to leverage BNPL solutions than less frequent travelers.

That probability increases to 60% when it comes to frequent flyers (travelling more than 11 times a year).

Out of the 10 markets we have surveyed, respondents from Turkey (74%), Hong Kong (70%) and Mexico (70%) are the most inclined to use BNPL features when buying travel.

31% of surveyed respondents that fly once a year are likely to use BNPL to buy travel.



² <https://www.abta.com/industry-zone/partner-insights/pros-and-cons-bnpl-travel-industry>

³ <https://www.abta.com/industry-zone/partner-insights/pros-and-cons-bnpl-travel-industry>

⁴ <https://www.salecycle.com/blog/strategies/abandonment-rates-higher-travel-sites/>

Split payment

Split payment allows travel customers to divide the total price of their purchase between multiple payment methods (e.g., part of the amount is paid with a credit card and the remaining amount with another payment method).

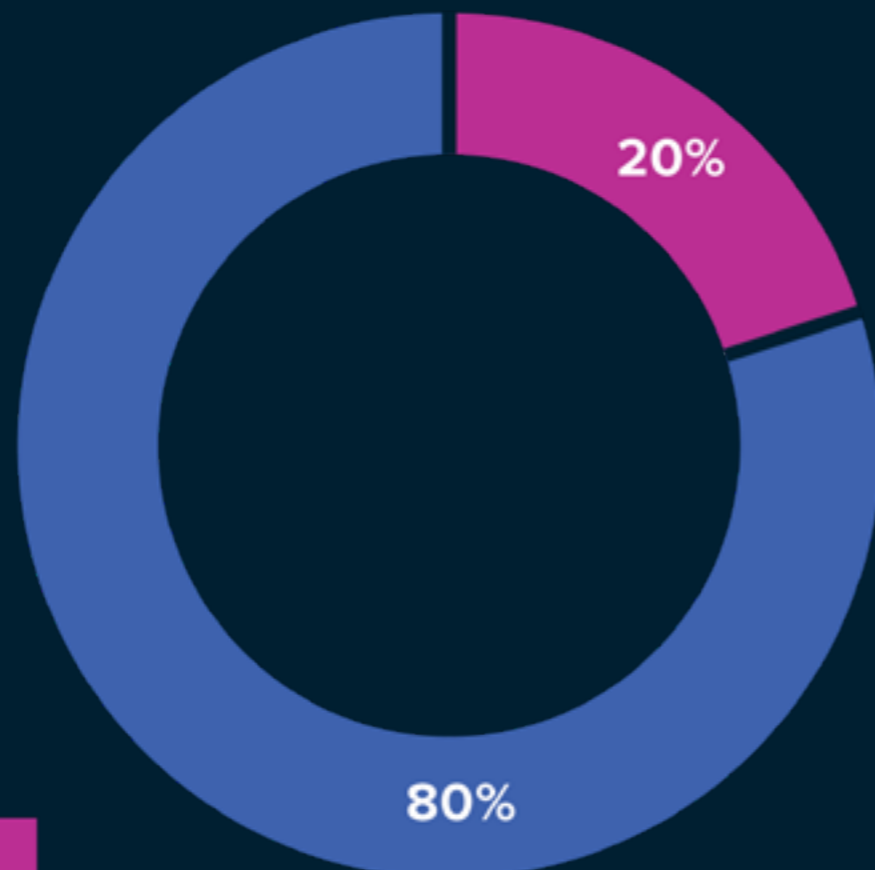
This is a valuable feature that provides customers with financial flexibility.

80% of the survey respondents expressed interest in being able to split their payments.

This feature is a relevant way for airlines to clear frequent flyer points or miles from their balance sheets, as frequent flyer points or miles are often used for split payments.

Would you prefer paying part of the total amount with your credit card and the remaining part with frequent flyer miles or other payment methods when buying travel on travel agent or airline websites?

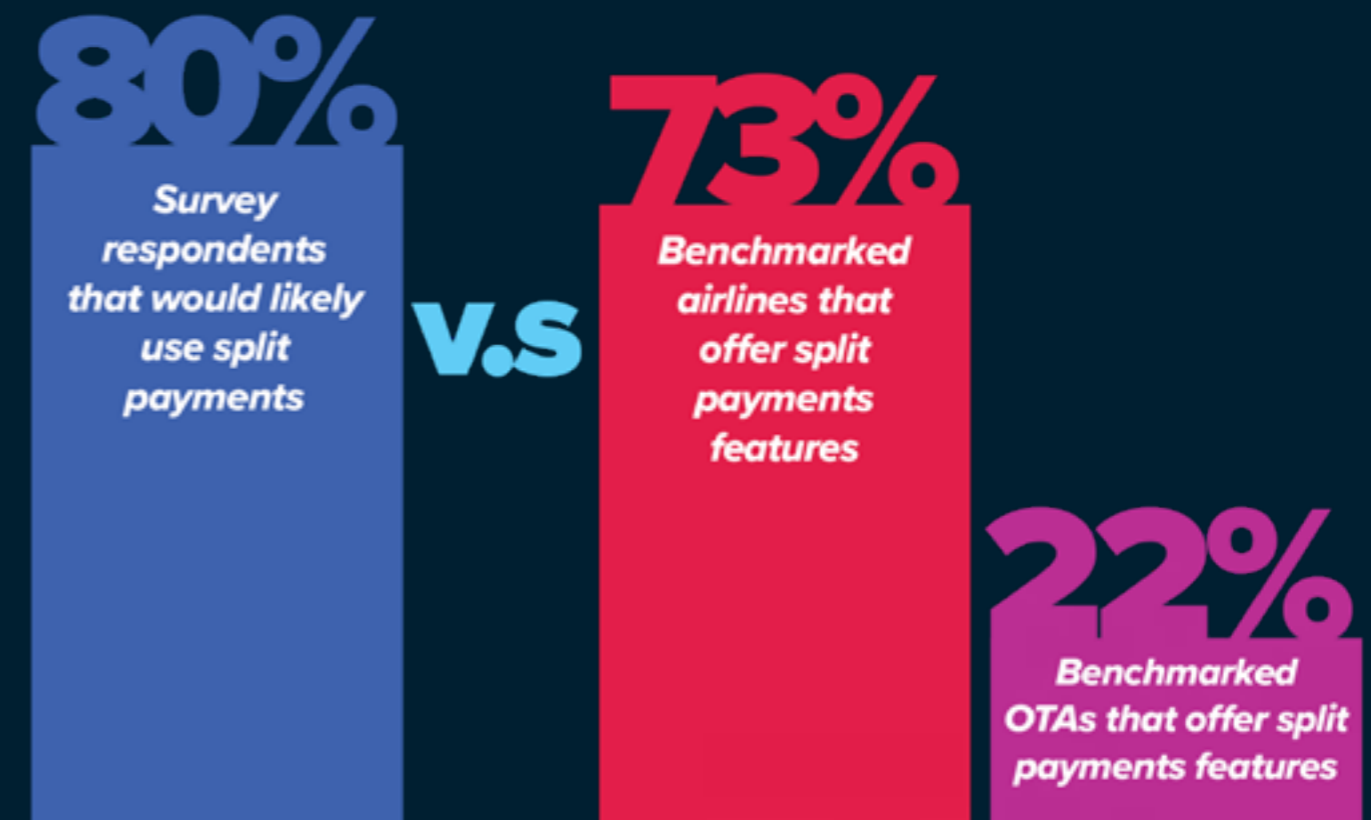
Yes No



Split payment is a valuable tool for businesses to increase sales, expand their customer base, and reduce cart abandonment.

For instance, airlines and OTAs can attract customers who may have been deterred by high upfront prices by offering the "Paying by miles" feature.

However, our benchmark study found that 27% of airlines do not offer split payment features at checkout.



CONVENIENCE

How are airlines making it easy for their customers to pay?

To what extent do customers expect a hassle-free payment experience when buying air travel?

IATA's 2022 Global Passenger Survey found that post-COVID travelers' top concerns are simplification and convenience. Today's travelers expect the same online experience they get from major online retailers like Amazon.

To meet customer expectations and make the payment experience easier, airlines need to avoid card declines, provide an easy-to-use interface, speedy checkout process, personalization options, mobile-friendliness, and *"hold and confirm"* features.

"How customers react when facing a decline"

Just under a quarter of travel consumers we surveyed have experienced card declines on travel business websites.

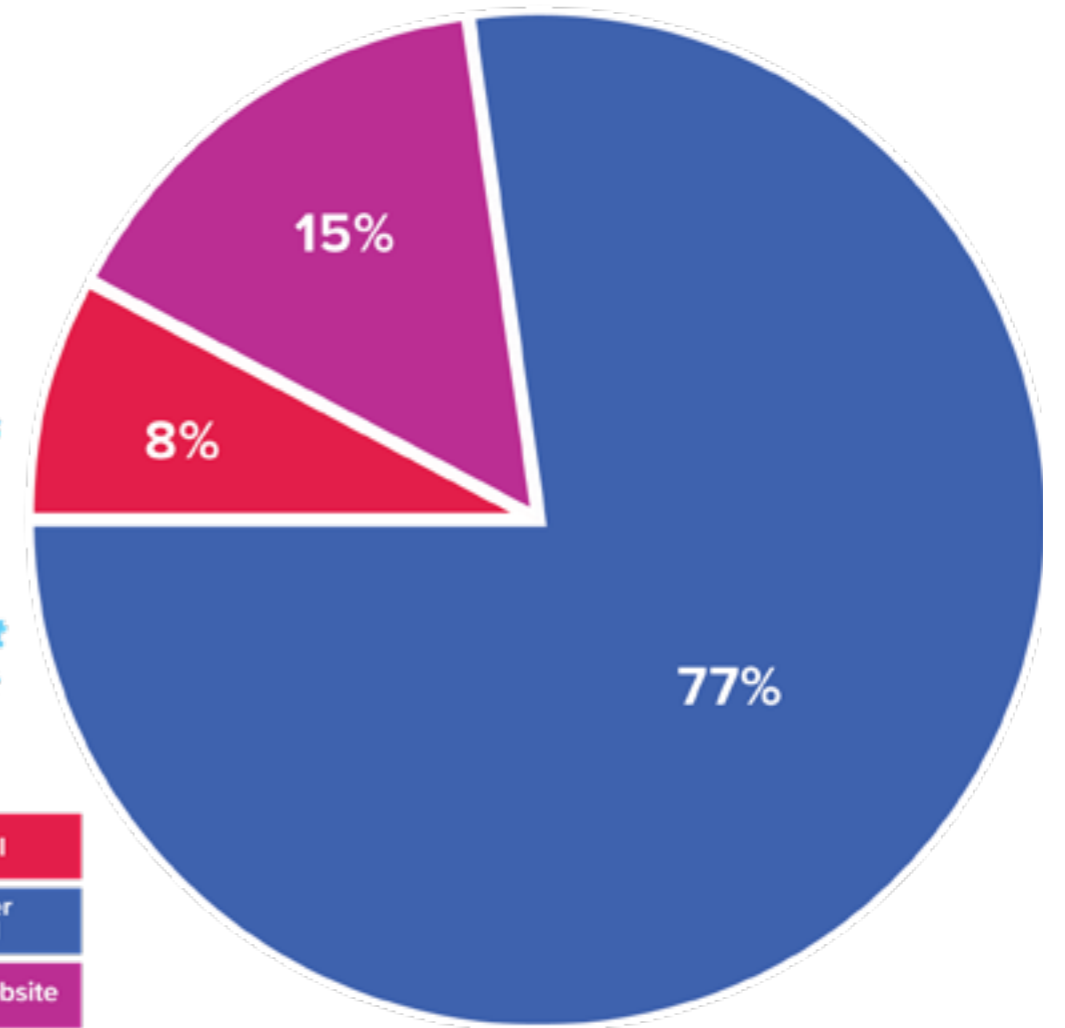
When facing a decline, how do customers react:

respondents will either buy from another website (15%) or simply not buy (8%).

This might be surprising or counter-intuitive, but it could be explained by the fact that a proportion of leisure travel is typically driven by impulse buying.

If your debit or credit card is being declined when you try to make an online payment for travel, what do you do?

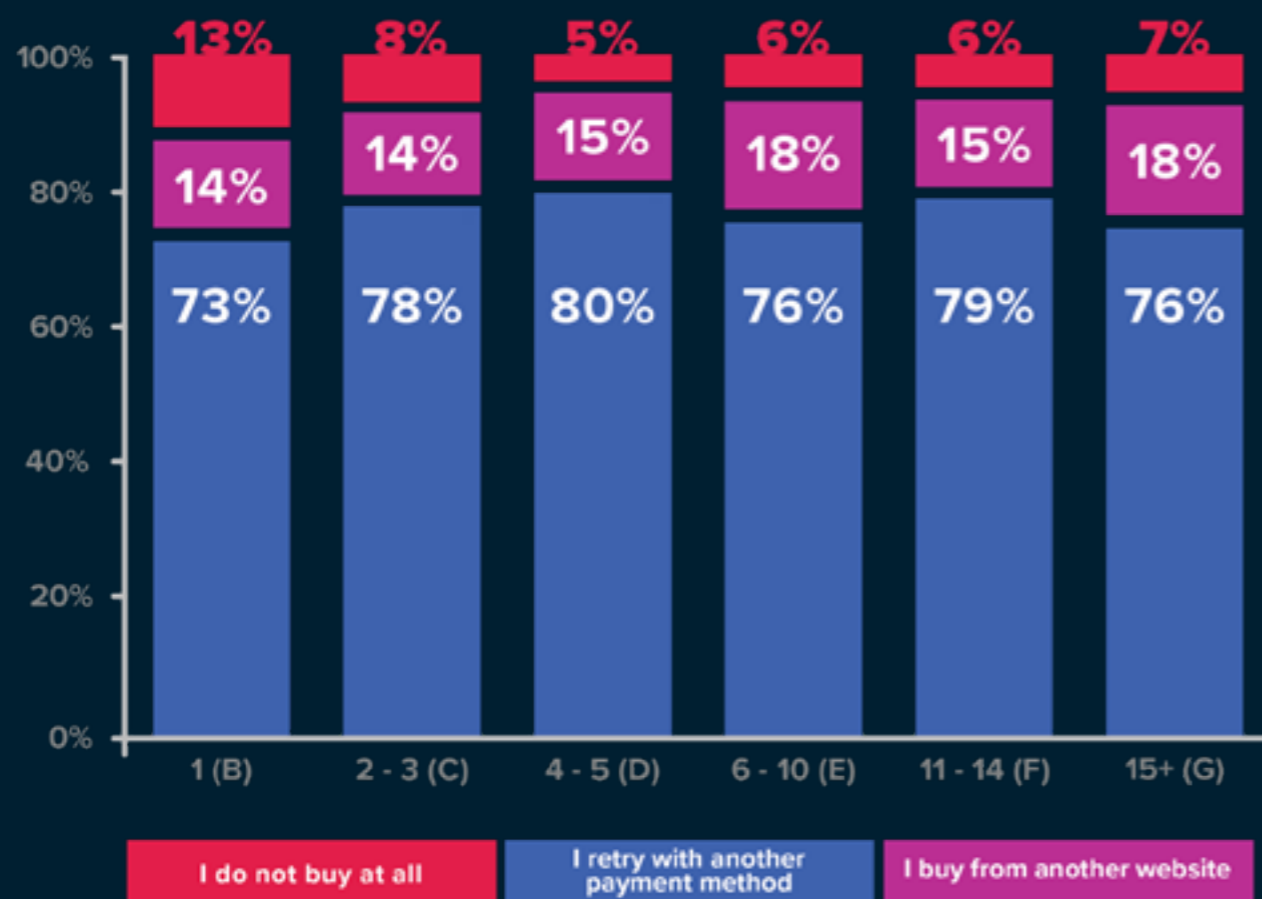
- I do not buy at all
- I retry with another payment method
- I buy from another website



Most interestingly, frequent and occasional travelers react differently in case of card declines. While occasional travelers tend to opt out of the purchase altogether, frequent travelers are more inclined to buy from another website (18%).

Frequent travelers are typically associated with business trips that are time-sensitive and cannot be postponed or cancelled. Non-frequent travelers on the other hand tend to simply opt out altogether (13%) when facing a payment decline.

If your debit or credit card is being declined when you try to make an online payment for travel, what do you do?



From the 10 markets we have surveyed, respondents from Canada are the most inclined to abandon their cart when facing a payment decline (14% not buying and 14% going to competition).

Conversely, travel customers from Hong Kong are most likely to retry their payments on the same website (82%).

To address this issue, businesses can track decline rates (e.g., by country issuer) and promptly identify and resolve any issues to ensure a seamless customer experience and prevent revenue loss.

Payment providers offer various solutions to help businesses optimize payment acceptance rates, benefiting both businesses and customers.

To begin the process, travel providers ought to conduct a comprehensive payment diagnostic across all their sales channels, both direct and indirect, to identify the root causes for high card decline rates and improve the payment processes accordingly.

Offering flexible payment options and implementing frameworks to monitor payments on an ongoing basis, including close monitoring of decline rates, fraud, and chargebacks, are critical in ensuring a seamless customer experience.

Hold my booking

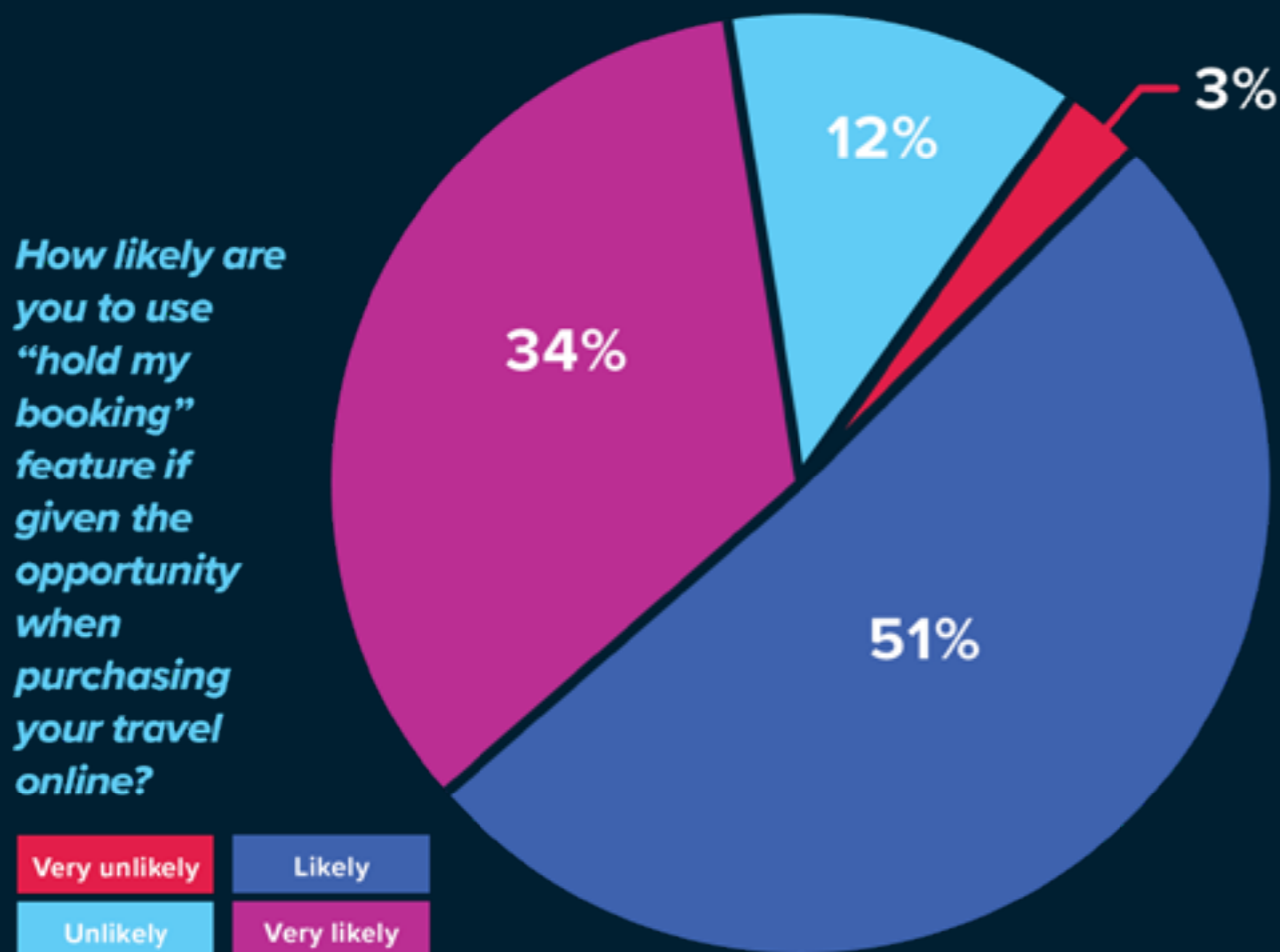
Based on the consumer survey, customers highly value a “*hold my booking*” feature when making online travel reservations, as the feature enables them to keep a selected flight on hold at the current available price for a set period.

The data collected shows that more than 85% of customers expressed an interest in using this feature.

Given the results, “*hold my booking*” can no longer be regarded as a “*nice-to-have*” feature in the travel industry.

To remain competitive, travel companies must stay attuned to their customer’s needs and identify opportunities to enhance the customer experience.

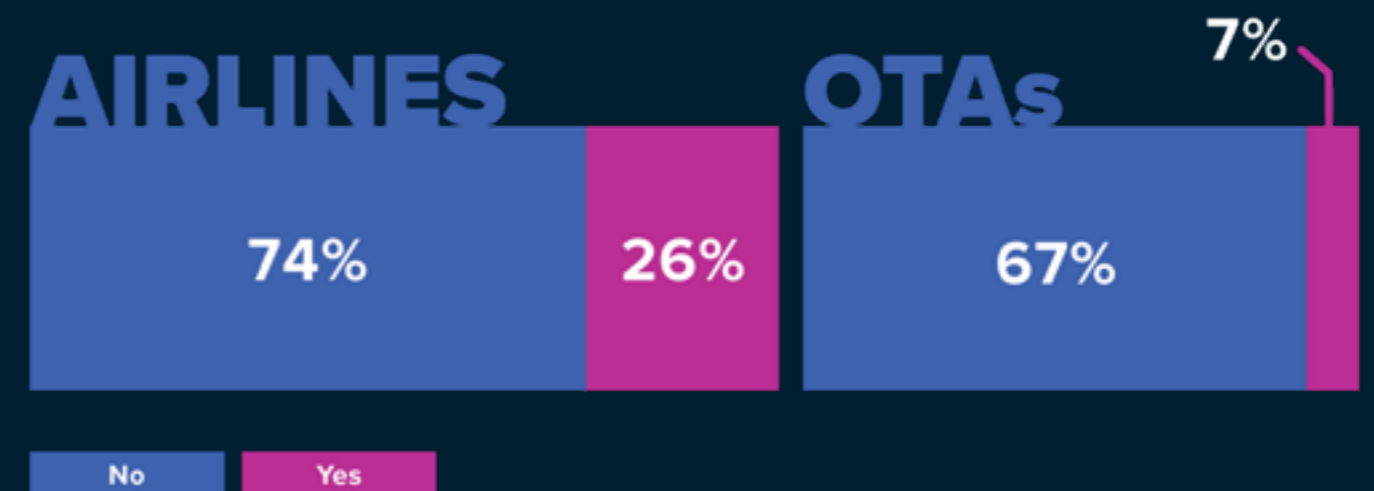
How likely are you to use “*hold my booking*” feature if given the opportunity when purchasing your travel online?



A “*hold my booking feature*” helps customers achieve greater flexibility and consequently reduces abandonment rates for travel providers. Yet most airlines and travel agencies do not provide this feature.

Out of the airlines benchmarked, only 26% offer that service, and for online travel agencies, the number drops to a mere 7%. This discrepancy between customer preferences and what travel providers offer on that topic is very large.

Does the website provide the “*hold my booking*” feature?



Offering the “*hold my booking*” feature would help airlines meet customer preferences by guaranteeing prices for a certain period and encouraging early booking, which improves inventory management and revenue.

From a payment perspective, offering the ability for customers to store their card details for future payments (“*card on file*”) would be a key enabler for this “*hold my booking*” feature.

This feature can increase customer satisfaction, loyalty, and revenue while reducing cart abandonment rates and increasing conversion rates.

SECURITY

How do consumers perceive the security when buying travel? Do features such as fraud protection or payment history matter to travel customers?

Do frequent flyers have the same perceptions as occasional travelers on security?

Like any other industry, travel is subject to fraud. Phishing, credit card frauds, fake travel bookings or loyalty program frauds are among the risks associated with online travel booking.

In January 2022, TransUnion estimated the Travel and leisure industry to suffer the largest growth in suspected digital fraud worldwide (+110.7% from 2019 to 2021)⁵.

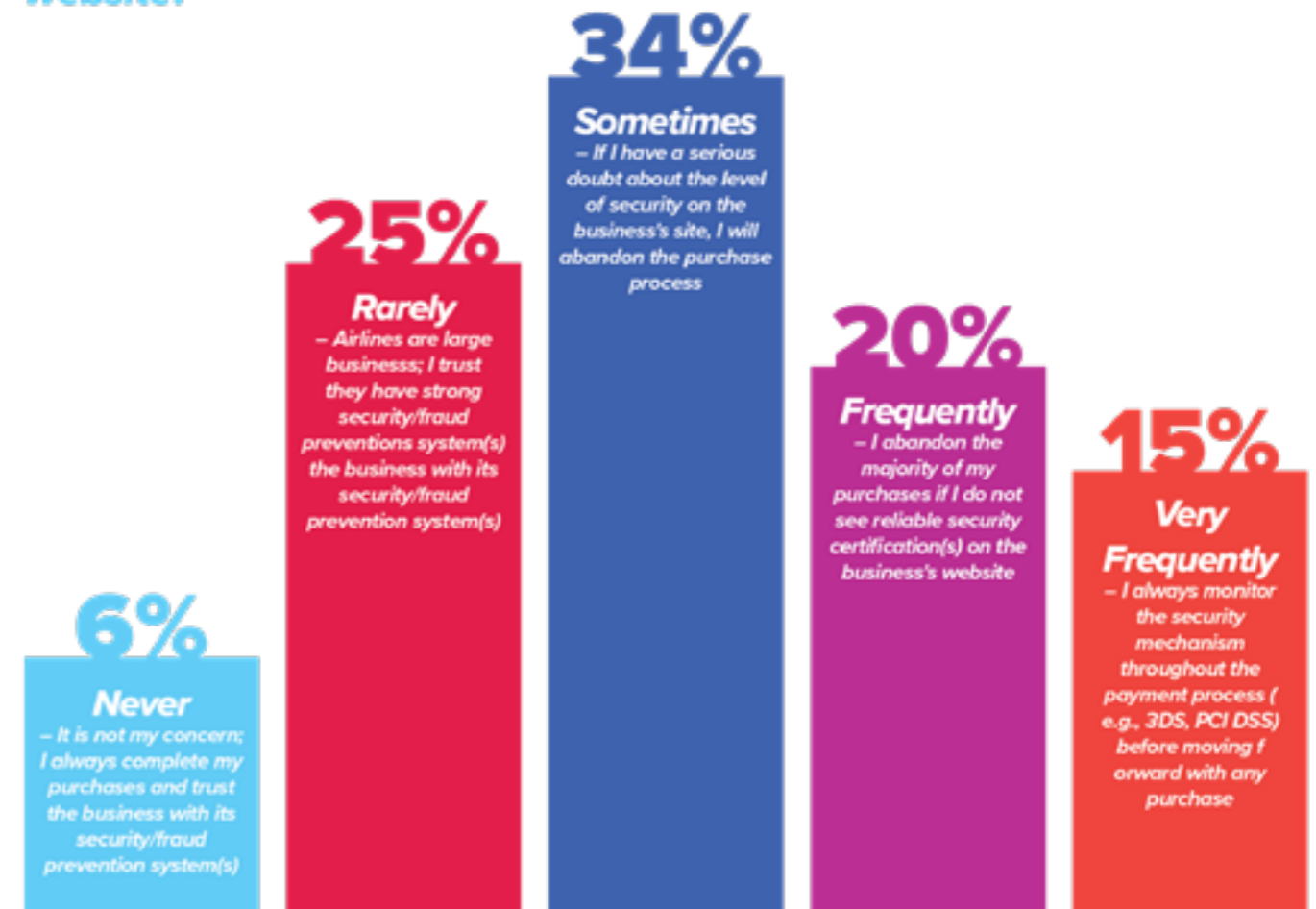
While consumers have become more aware of payment fraud on eCommerce websites, they are also becoming more educated about the risks and protection mechanisms that businesses, including those in the travel industry, can implement.

We analyzed how consumers perceive and comprehend payment security, as well as how effectively travel providers address those concerns.

Security and 3D Secure

69% of online travel customers have concerns about payment security, with 35% reporting they will abandon the purchase process if they have serious doubts.

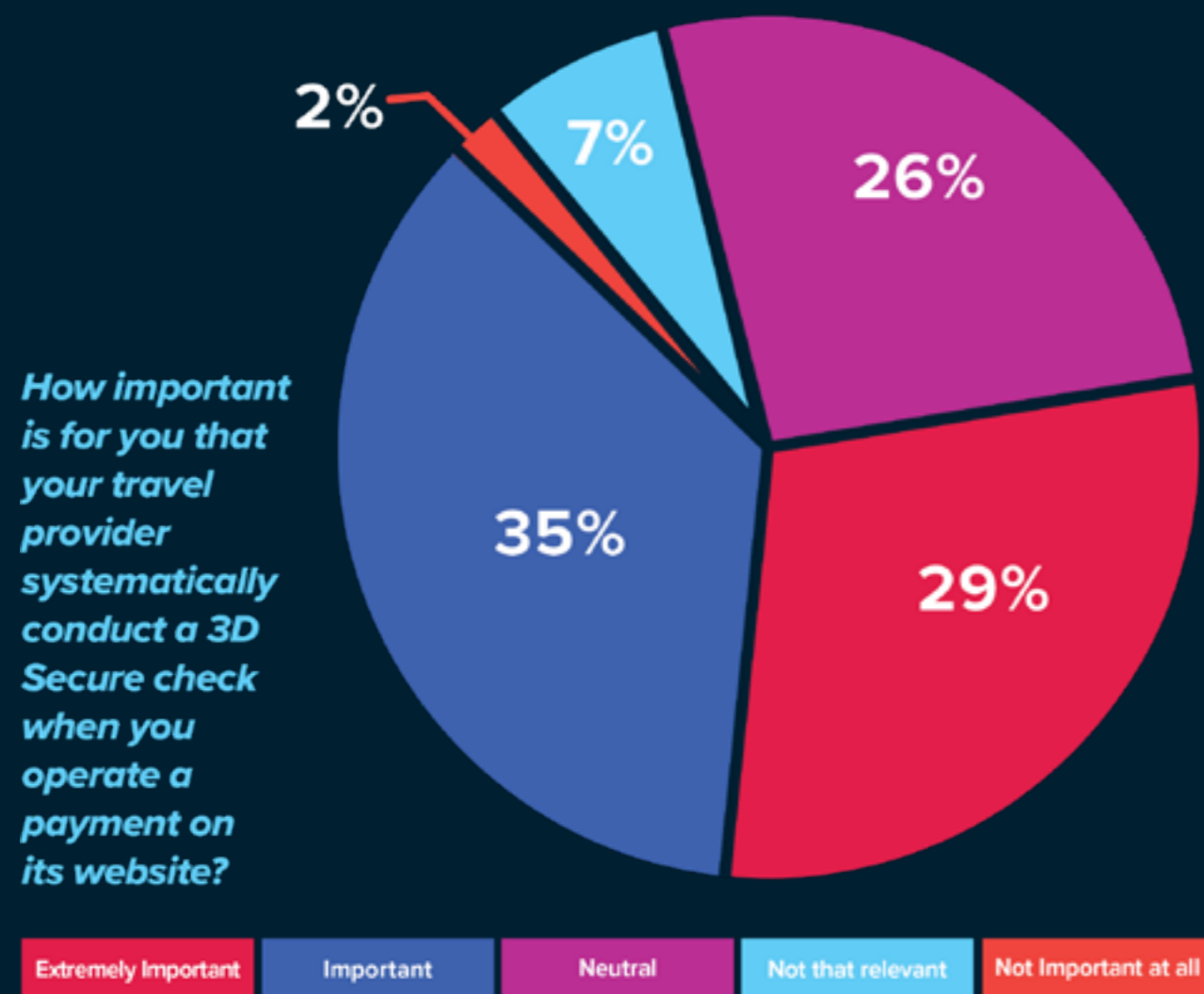
How often are you concerned with the security of the payment process when making online purchases on an airline business website?



⁵ 2022 Global Digital Fraud Trends Report (transunion.com)

To mitigate that effect and reduce the risk of abandoned purchases, airlines should clearly display the security protocols or authentication tools that they use (e.g., 3DS).

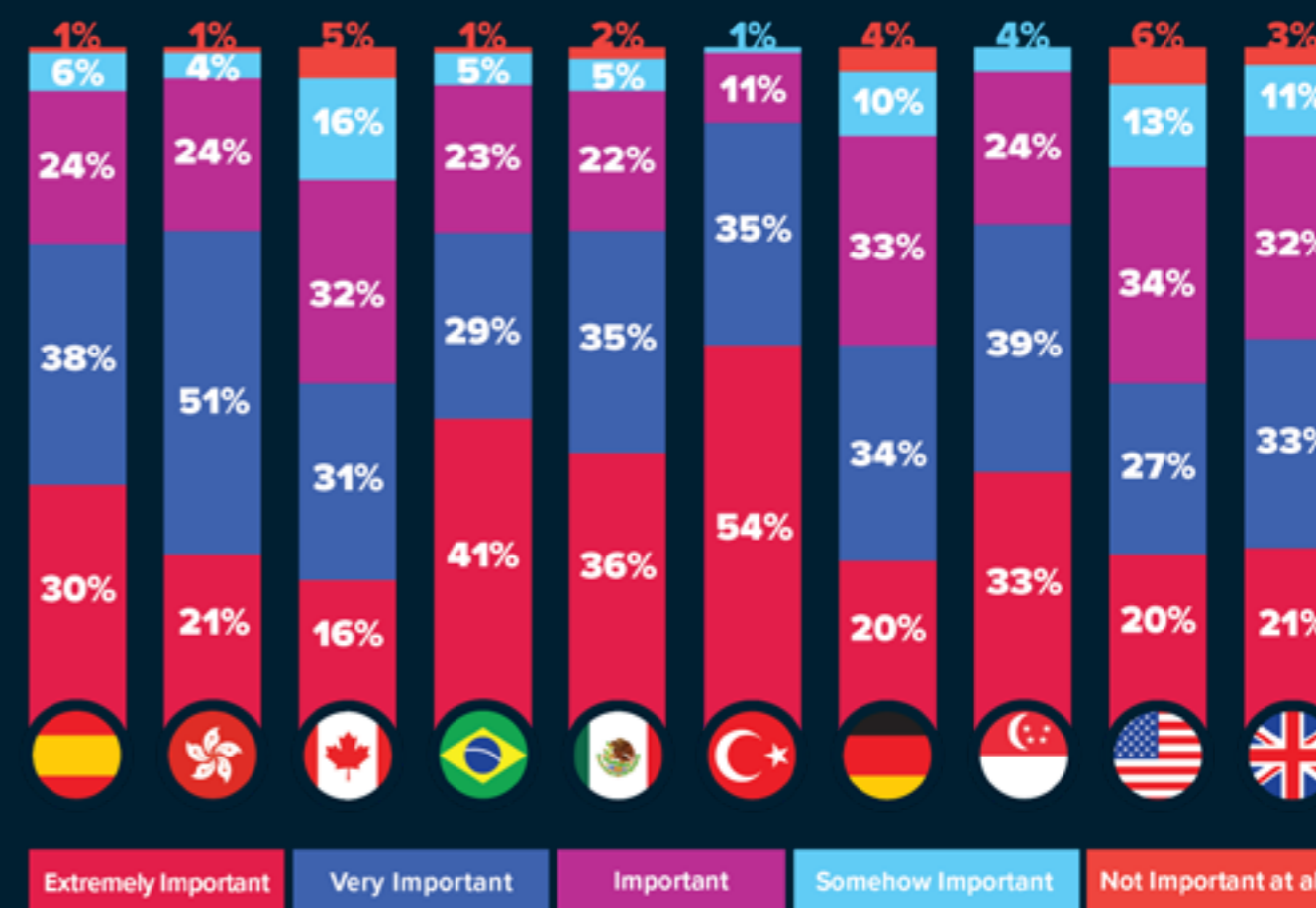
For instance, 64% of customers find it important that 3DS checks are undertaken:



For markets such as Mexico and the United States where 3DS is not mandatory for online retailers to implement, a surprisingly high level of US (81%) and Mexican (94%) respondents consider it to be an important security measure when making travel purchases.

Regulations do not enforce travel businesses to implement 3DS, yet the survey results indicate that 3DS is becoming an important feature for online travel businesses in those markets.

How important is for you that your travel provider systematically conduct a 3D Secure check when you operate a payment on its website?



Our benchmark has found that less than 40% of the assessed travel businesses display security icons / logos from their payment providers.

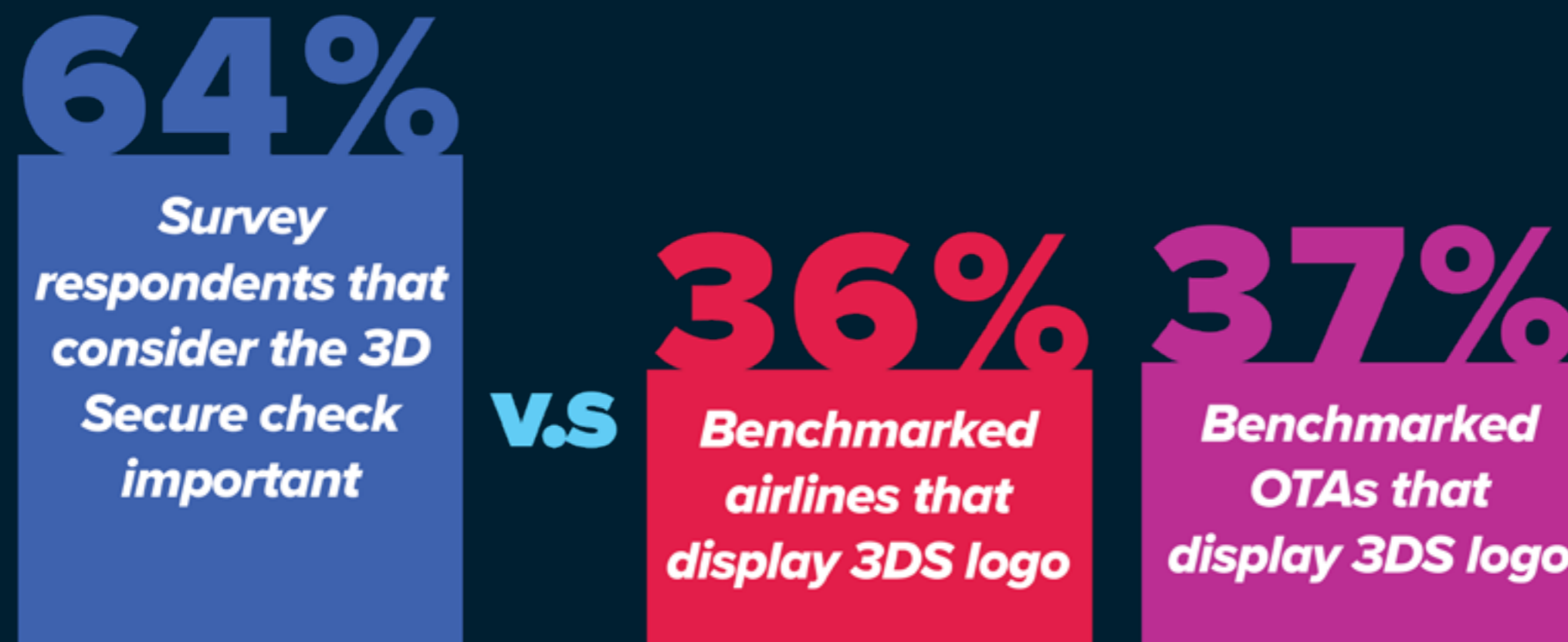
This is unfortunate, given that a substantial number of consumers harbor concerns regarding security matters when making travel purchases, and would feel more at ease if their airlines or online travel agencies communicated the security measures they have in place.

Anticipated as a hurdle by most businesses from a customer experience standpoint, 3D Secure is now in fact an asset travel businesses can leverage.

Displaying payment-related logos and icons on checkout pages further helps the travel industry build trust and credibility among their customers.

This is useful not only in countries where 3D Secure is mandatory. For travel businesses operating in markets where 3D Secure is not compulsory, it would make sense to test its implementation in any case.

Using 3D Secure enables customers to an increased confidence in the credibility of the transaction and helps businesses shift chargeback liabilities during fraud episodes to their issuers.



Payment history

Over 70% of the survey respondents find it important for travel businesses to provide payment history features when purchasing online travel. Interest rises to 78% when respondents travel at least twice a year.

By offering customers access to their payment history, the travel ecosystem can demonstrate transparency in its practices, which is crucial for building customer trust and loyalty.

In the case of business travel, payment history access is also truly relevant to expense management needs.

For travel customers to view their payment history, an account is typically required. Creating it speeds up future payment activities but also enables travel providers to track the purchase activity of their clients.

Only a small minority (less than 20%) of airlines let travel customers checkout without creating an account first. Making that step mandatory could impact the overall customer experience.

The buying process in travel is always significantly longer than other eCommerce segments. The level of information to be provided to finalize a booking is substantial.

This is not an easy decision for travel providers to make.

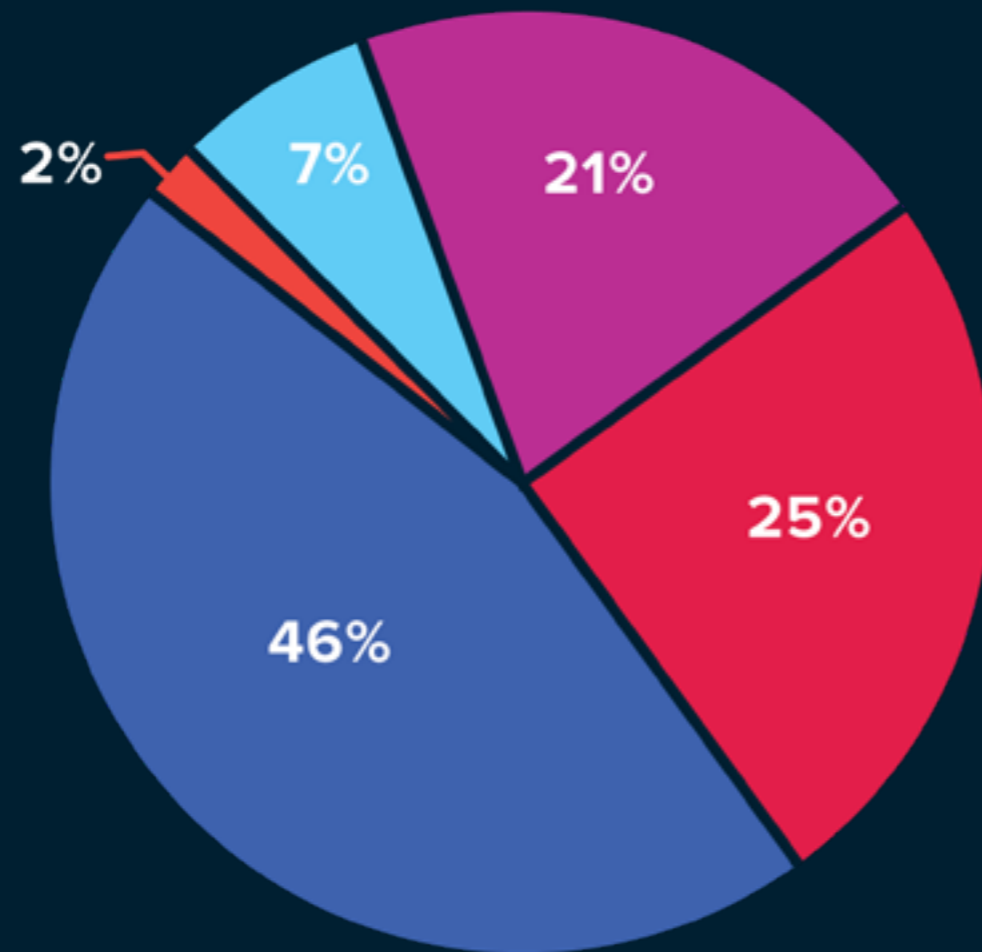
Consumers want access to their payment history:

- assuming this can only be captured in the account creation process
- without jeopardizing their customer experience.

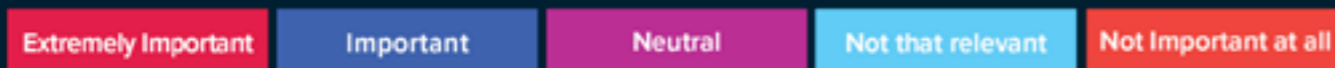
Travel retailers need to consider how to seamlessly create that step without stifling the purchasing journey from a consumer standpoint.

Account information can be captured in various other stages of the checkout process and can be a frictionless experience.

Signing up while purchasing travel should be as simple as a guest checkout process.



How important is having access to your payment history when purchasing travel on a website?



TRANSPARENCY

How explicit do consumers find pricing information on travel business websites?

Is it easy to find refund or cancellation policies within the online travel ecosystem? Are travel providers doing it right? Can transparency strengthen consumer trust and loyalty?

By providing detailed information about pricing, cancellation, and refund policies upfront, travel companies help customers make informed decisions and minimize the likelihood of confusion with their purchase.

Through a survey, Amadeus witnessed a 50% increase in disputes for the year 2021. Chargebacks skyrocketed to +100% from 2019 to 2022.

Customers who initiate chargebacks are usually not trying to travel for free at the travel provider's expense, but instead seek to resolve confusion and get reimbursed.

Chargebacks are triggered when a customer disputes a charge related to a travel booking.

For example, a customer may initiate a chargeback if they believe that they have been charged incorrectly (wrong pricing) or to be facing a misrepresentation of the services provided by the airline or travel agent (refund policies governing the terms and conditions of receiving refunds).

The transparency pillar is designed to measure how clearly customers understand the payment process and associated fees.

It includes questions on pricing transparency, the applicable surcharge fees and the refund and cancellation policies.

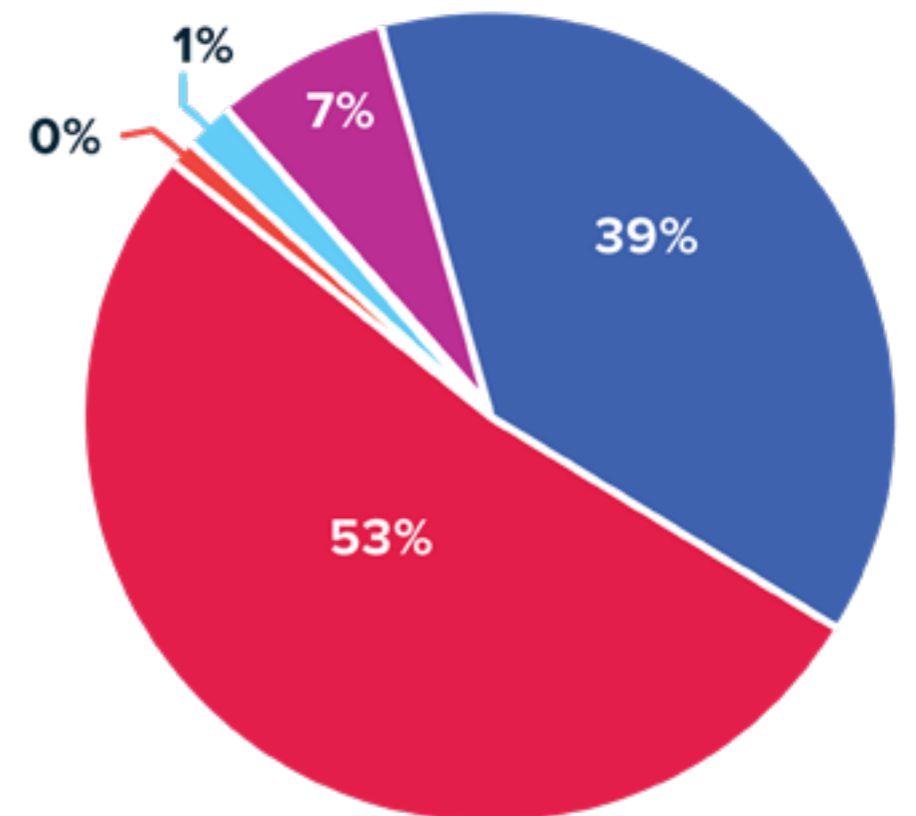
Explicit and transparent pricing

Based on the survey results, it is extremely important to clearly display pricing at the beginning of the checkout process to ensure a positive customer experience.

92% of customers prefer to see pricing that includes all fees and taxes from the start, rather than having it added throughout the checkout process.

A clear breakdown of all charges at the beginning of the purchase process is a critical factor for customers when making travel purchases on a website.

How important is it for you to have a clear breakdown of all charges (applicable taxes, processing fees, surcharge) at the beginning of the purchase process when making a travel purchase on a website?



Extremely Important

Important

Neutral

Not that relevant

Not Important at all

Travel providers clearly understand how important transparent pricing is. Most airlines and OTAs we have benchmarked have it right.

For instance, it is key for travel providers to clearly indicate whether / when any surcharges are applied based on the choice of payment methods.

The travel industry is a competitive landscape, and the customer experience is paramount.

Reducing the confusion in the checkout process is key for travelers to understand the true costs and the pricing structure of the products they purchase.

With transparent pricing structures, travel customers can conduct price comparisons processes in the most efficient way.

According to the 2022 IATA Airline Payment Cost and Revenue Drivers Study, the travel industry collects \$93 billion of taxes (based on 2019 data).

These various taxes are integrated in the prices travel customers pay to airlines or OTAs. In fact, these sums are collected by travel providers on behalf of tax authorities.

Were there any automatic changes on the initial prices moving from one page to another during the checkout process?

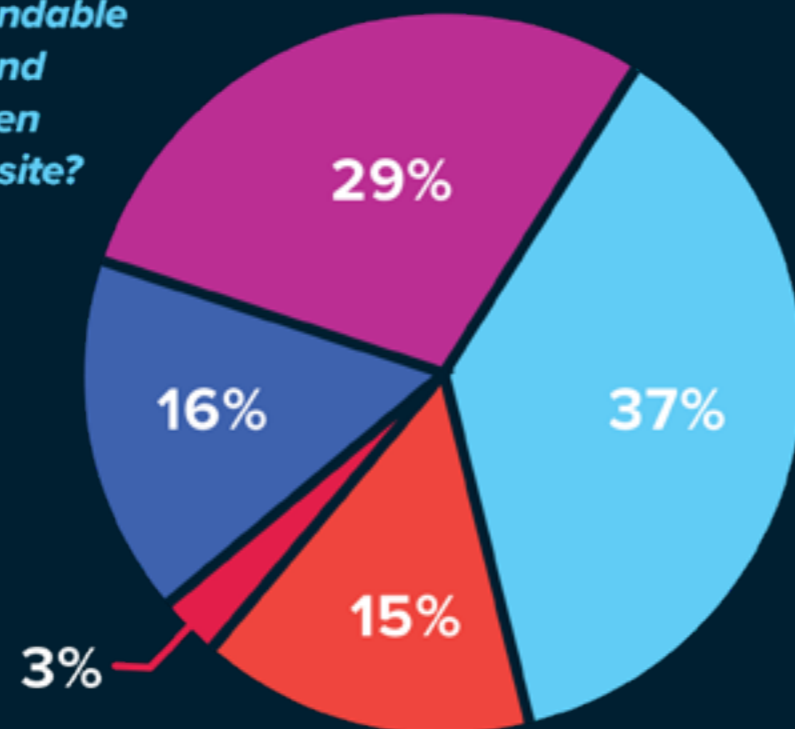


Refund and cancellation policies

19% of travel customers we have surveyed find it difficult to find refund and cancellation policies on travel provider websites. There is clearly much room for improvement on this topic.

Clear refund and cancellation policies can improve customer satisfaction, reduce levels of chargeback and related dispute management costs, and strengthen compliance.

How clear and understandable do you find the refund and cancellation policies when booking travel on a website?

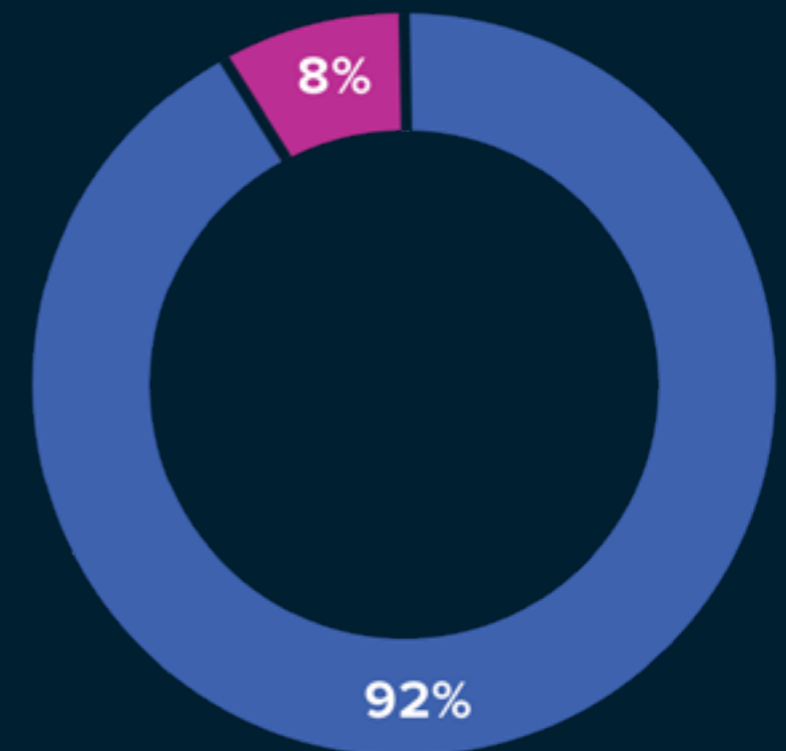


Defining how clear a refund policy is an arbitrary decision and was not part of the factual scope of the benchmark we have conducted.

Nonetheless, 8% of the benchmarked travel providers did not even have refund and cancellation policies throughout the checkout process.

Does the website provide information on refund or cancellation policies when making the purchase?

Where in the process is the information communicated?



The large majority of airlines are displaying their refund and cancellation policies.

Best practices to improve clarity of refund policies include the use of bullet points and examples to let the reader understand how the policies work in practice.

Most importantly, the need to keep the wording as simple as possible is essential and will contribute to avoiding high level of chargebacks in case of customer confusion.

CONCLUSION

Online travel purchases are notable for their high average transaction values and the level of research and planning involved in the buying process.

Such purchases are typically made less frequently than other types of online transactions, underscoring the need for a unique approach to the online travel experience.

To that extent, the payment experience is even more important for online travel purchases compared to other eCommerce buying activities.

The survey and benchmark results demonstrate several gaps between what consumers want and what the travel industry provides.

Customers want more and admittedly it can be inconsistent. They want more flexibility but at the same more security. They seek travel providers to bring more transparency in the checkout process, but at the same time ask for more convenience.

The Covid-19 pandemic has reshaped customer expectations on payment-related questions and so far, the travel industry has failed to fully address that change.

This report provides data that should offer a useful input for travel businesses that want to improve their payment processes.

Improving payment processes should be an on-going priority for travel providers.

The assessment should involve:

- A comprehensive payment diagnostic, which includes a review of internal tools and processes, contracts and relationships with payment partners such as payment gateways and acquirers
- Based on this diagnostic, a clear description of the “ideal state” and related payments roadmap
- On-going internal resources to implement this payments roadmap and proactively monitor payment performance



NEXT STEPS

We have gathered a wealth of data to produce this in-depth study. For the consumer research, we surveyed 500 travelers in 10 countries around the world:

- **AMERICAS:** Canada, Brazil, Mexico, USA
- **APAC:** Hong Kong, Singapore, Turkey
- **EUROPE:** Italy, Germany, UK

For the benchmarking section, we assessed the payment pages from the top 130 airlines/OTAs globally ranked by their annual revenues. We focused exclusively on those in each of the markets covered by the consumer research.

All this data is available for further in-depth analysis. To help Airlines and OTAs with their own comprehensive payment diagnostic, Nuvei and EDC will be pleased to arrange individual calls with travel providers who wish to dig deeper into the results.

These deep-dives can focus on specific matters of interest such as specific countries or customer segments.

Register your interest for a deep-dive session by clicking below.

[REGISTER](#)



ABOUT

About Nuvei

Nuvei (Nasdaq: NVEI) (TSX: NVEI) is the Canadian fintech company accelerating the business of clients around the world. Nuvei's modular, flexible and scalable technology allows leading companies to accept next-gen payments, offer all payout options and benefit from card issuing, banking, risk and fraud management services.

Connecting businesses to their customers in more than 200 markets, with local acquiring in 45+ markets, 150 currencies and more than 600 alternative payment methods, Nuvei provides the technology and insights for customers and partners to succeed locally and globally with one integration.

For more information, visit www.nuvei.com

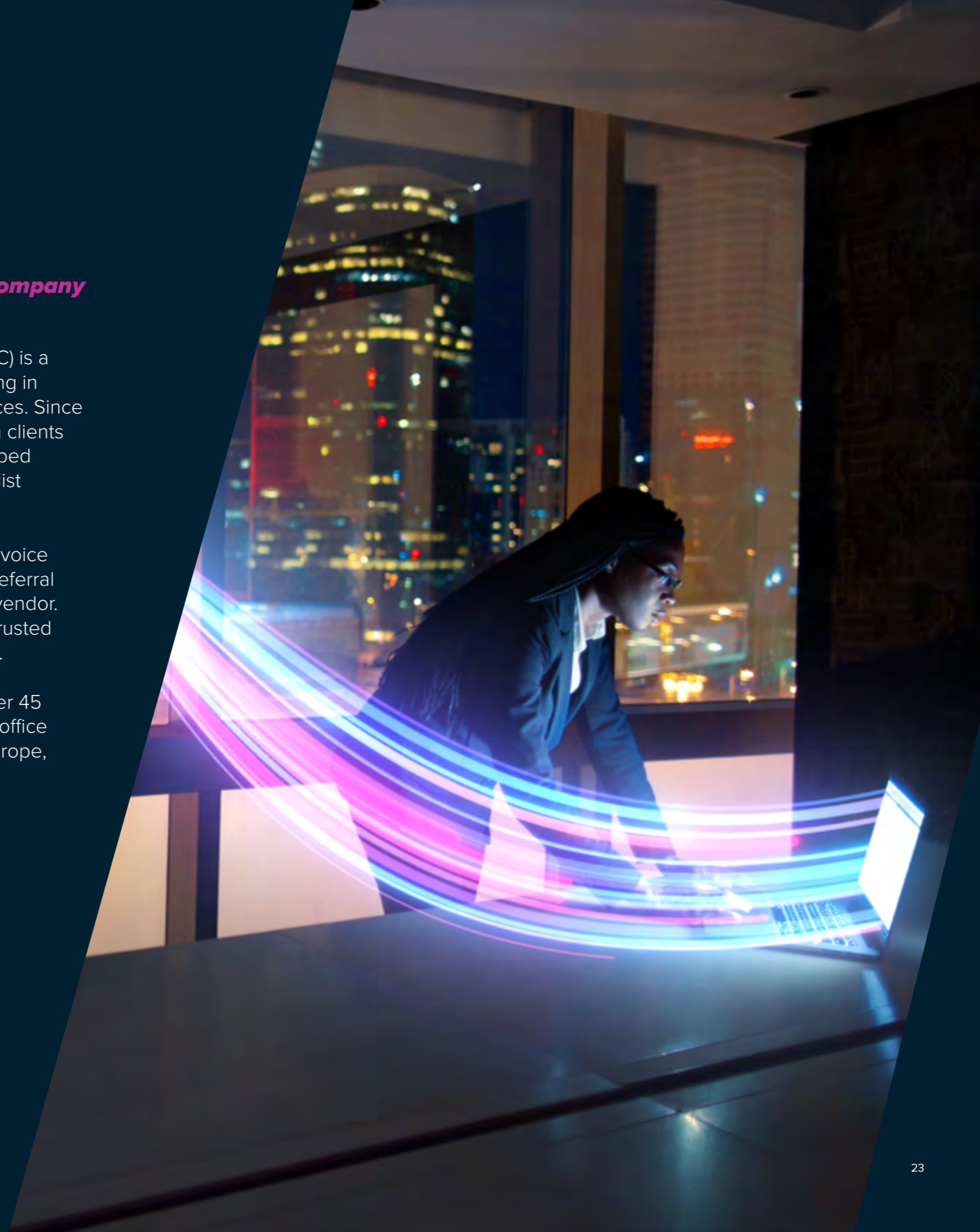
About Edgar, Dunn & Company

Edgar, Dunn & Company (EDC) is a global consultancy specialising in payments and financial services. Since 1978, we have partnered with clients across the globe and developed an unrivalled depth in specialist expertise.

We offer a truly independent voice and have never accepted a referral fee or commission from any vendor. Our vision is to be the most trusted global payments consultancy.

Today, we serve clients in over 45 countries through our global office network in North America, Europe, Middle East and Australia.

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