eyefor travel

THE DEATH OF CASH IN TRAVEL

Author: David Benady

ABOUT

We bring together everyone in the travel industry, from small tech start-ups to international hotel brands, to form a community working towards a smarter and more connected travel industry.

Our mission is to be the place our industry goes to share knowledge and data so that travel and tech brands can work collaboratively to create the perfect experience for the modern traveler.

We do this through our network of global events, our digital content, and our knowledge hub - EyeforTravel On Demand.

Our Values

We believe the industry must focus on a business and distribution model that always puts the customer at the center and produces great products. However, to deliver an outstanding travel experience, the strength, skills, and resources of all partners in the value chain must be respected and understood.

At EyeforTravel we believe the industry can achieve this goal by focusing on a business model that combines customer insight with great product and, most importantly, places the traveler experience at its core.

At our core we aim to enable the above by valuing impartiality, independent thought, openness and cooperation. We hope that these qualities allow us to foster dialogue, guide business decisions, build partnerships and conduct thorough research directly with the industry.

These principles have guided us since 1997 and will continue to keep us at the forefront of the industry as a vibrant travel community for many more years to come.

Our Services

Our events are at the heart of EyeforTravel. These draw in experts from every part of the travel industry to give thought provoking presentations and engage in discussions. It is our aim that every attendee takes back something new that can help their business to improve. This might be in the fields of consumer research, data insights, technological trends, or marketing and revenue management techniques.

Alongside this we provide our community with commentary, reports, white papers, webinars and other valuable expert-driven content. All of this can be accessed through one place - the On Demand subscription service.

We are always expanding the content we create, so please get in touch if you want to write an article for us, create a white paper or webinar, or feature in our podcast.

EyeforTravel by the Numbers

80,000+ database contacts

2,000+ annual event attendees

100,000+ monthly online reach

1,000+ online conference presentations

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ACKNOWLEDGEMENTS

EyeforTravel would like to thank the following people for contributing to this piece of research with their time and insights:

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David Nunn I Head of Braintree Europe

Richard Cole I Chief Marketing Officer I Caxton FX

Shachar Bialick I Founder and Chief Executive I Curve

Jorge Rodriguez I Marketing and E-commerce Manager I easyHotel

Edward Chandler I CCO I eNett International

Peter Quinn I Payments and Revenue Systems Lead I Eurostar

Ian Strafford Taylor I Chief Executive I FairFX

Paul Van Alfen I Global Head of Airlines and Travel I Ingenico ePayment

Anouska Ladds I European Head of Airlines, Hotels and OTAs I Mastercard

Ben Jackson I Director of Mercator Advisory Group's Pre-paid Advisory I Mercator Advisory Group

Alex Fitzpatrick I Head of Global Payments I Travelport

Ovidiu Olea I Founder and Chief Executive I Valoot

Thomas Helldorf I VP for Airlines and Travel I Worldpay

INTRODUCTION

The next billion consumers who will become regular leisure travelers will look different to those in established travel markets in the West today. They will come from mobile-first societies where the digital environment has evolved in a different way. This means they will bring with them new payment methods that travel brands will need to adapt to.

Mobile wallets are already hugely popular in countries such as China, India, Indonesia, and Kenya. In China, many consumers keep their plastic on hand solely for when they travel, instead using apps linked into the social sphere, such as WeChat Pay and AliPay, when they are spending at home. And that spending is soaring, already reaching into the trillions in dollar terms. Brands that can tap into the Chinese app space and allow payment through these giants are giving themselves a competitive edge in the world's largest travel market.

Innovation isn't just restricted to high growth economies in Asia-Pacific. Mobile wallets are gaining traction in the West, as are currency cards controlled from apps that make a compelling case to consumers through far lower fees and charges than traditional bank cards. Sweden is already a largely cashless society, and it is even asking the question of whether it needs to slow down in its transition away from cash.

So, is cash in terminal decline? Well, not quite. It will remain popular for many years to come and many pre-loaded currency card operators find travelers largely use them abroad to withdraw cash sums rather than to use them directly for payments. Geography is critical in the trajectory of cash and local preferences are key. Whilst some developing countries are sprinting ahead with digital payments, others are almost exclusively cash-based. In developed countries, ingrained behaviors and infrastructures are also supporting cash. Germans remain highly wedded to physical currency, carrying more than anyone else in Europe, for example, and this will take a long time to change. Cash has a feeling of security and trust for travelers that is hard to replace and is undeniably useful in a wide number of destinations.

Nonetheless, the growing range of cash alternatives adds up to a more diverse payments landscape than anything that has come before and travel brands can reap the rewards from plugging in. Consumers are more likely to spend when they feel comfortable and secure in their purchase, which can be aided by localized payment formats. Introducing seamless payment methods will induce more consumer spending and travel brands that can adopt these methods successfully can help to reduce that most stubborn of e-commerce issues – purchase abandonment – as well as create a more inclusive brand experience that is embedded into social media applications.

There are other advantages as well, with newer payment methods and CRM systems, richer data streams are possible that can allow operational decisions in real time. There is also potential to reduce fraud through more sophisticated authentication. However, there is also the risk of additional complexity and travel brands will need to consider their customer make-up and ability to adopt and support new payment methods rather than rushing headlong into adopting a new medium.

So, please read on and discover how and where the payment environment is changing. We hope you enjoy this piece of EyeforTravel research.

Alex Hadwick

Head of Research, EyeforTravel

1. CASH IN DECLINE?

In a host of markets, a concerted effort is underway to eradicate cash payments. Governments, banks and payment providers are racing to put in place the infrastructure that will put cash out of business. Many governments see digital payments as a way to increase economic transparency and replace cash, which is associated with tax avoidance, the black economy, crime and terrorism. Businesses are often on the same side, viewing cash as expensive to handle and inconvenient.

In retail and gaming, e-commerce and financial services, air travel and hotel booking, wherever people tend to pay online or swipe for their shopping purchases, non-cash payments are soaring.

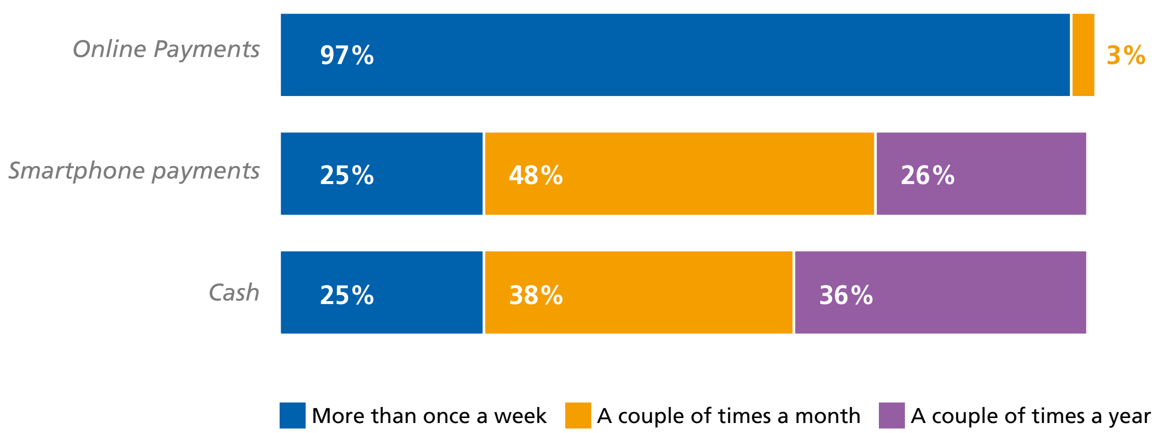
Online payment methods such as PayPal and mobile wallets - from Alipay and WeChat Pay in China to Apple Pay and Android Pay in western markets - are eating into purchases made both by cash and by cards.

However, the world's travelers are reluctant to let go of cash completely. They may pay for flights and hotels by cards or mobile wallets, but they worry about turning up in a foreign city without the right payment method to take a taxi from the airport or buy a snack. Furthermore, they are concerned about the fees and charges their card payments can often incur in other currencies.

There is also huge regional variation. In many large Chinese cities, cash has all but disappeared as payments made by mobile wallets grow. Kenya's M-Pesa mobile payment system is becoming embedded amongst Africa's unbanked population. Sweden is already a largely cashless society many other countries – such as India - would like to follow suit.

In Sweden, cash in circulation fell by the largest amount on record in 2016 and 2017 and now just 25% of Swedes say that they use cash at least once a week (see Figure 1). Instead online and smartphone payments systems are more popular, with the former ubiquitous. A 2017 Insight Intelligence survey found that 99% of respondents reporting that they regularly use online payments (Bloomberg, 2018; Insight Intelligence, 2018).

Figure 1: Regularity of Payment Methods Used in Sweden in 2017



Source: Insight Intelligence, 2018

In contrast, Germany is still wedded to cash - which is used in 80% of point of sale transactions compared to 45% in the Netherlands, according to research by the European Central Bank. The Bank found that the average German wallet contains EUR103, over three times more than in France (European Central Bank (ECB), 2017). Germans' love of a ready supply of physical cash has led to notes as a proportion of GDP doubling to 10% across the Eurozone since 2003. Similarly, despite the US being home to so many tech and finance giants, the US is still a cash-driven society. Cash was single most heavily used payment method, accounting for 31% of all consumer transactions in 2016 (Federal Reserve Bank of San Francisco, 2017).

Even in the case of Sweden, some are questioning whether the country needs to slow down in its race to ditch physically circulating krona. A parliamentary review has been set up to see if some are being left out of the revolution, especially older consumers, and concerns arising over whether infrastructure is being lost too fast.

For travelers, the continued popularity of cash is driven by the surety it provides. Whether it's gap-year students ranging round the world or business travelers arriving in new cities not quite sure what awaits them, cash offers a sense of flexibility and security.

This stubborn refusal to give up cash stands in stark contrast to the race to develop cashless payments. Over the past five years, venture capitalists have invested USD50 billion in the world of fintech, backing a variety of start-ups offering to facilitate new forms of payment with the aim of getting rid of cash.

As Richard Cole, chief marketing officer at currency card operator Caxton FX, says: "A lot of our customers and clients still like cash, they like the reassurance of having euros, dollars or Australian dollars in their pockets. The contradiction is that the industry is moving towards digital payments, wearables and Apple Pay but all of our customers want cash."

So, cash might be on the decline in a large number of markets but when it comes to travel, it's likely to be around for some time to come. However, even when it comes to getting their hands on physical foreign currency, consumers are finding new, and cheaper, ways of doing so.

1.1. What Is Replacing Traditional Currency Exchange?

Such is the fixation with cash that travelers have been prepared to pay a high price to obtain foreign currency, picking it up from their banks and bureau de change at airports or withdrawing it from ATMs at their destination. These methods have attracted steep fees and charges from the banks and FX specialists relative to the complexity of the transaction.

The fintech explosion of recent years has created new forms of currency exchange and cheaper ways for travelers to pay abroad. Low-rate currency cards, peer-to-peer currency exchange services, top-up cards and mobile wallets have created a diverse galaxy of payment methods. The traditional retail exchange providers, whether airport outlets such as Travelex, the banks or store groups, are facing stiff competition from the new breed of payment methods.

The new players are undercutting the established players using low-cost technology infrastructure and razor thin margins. These innovative services are leveraging the mobile revolution to offer payment cards controlled by mobile apps, which allow for a high degree of flexibility in exchanging currencies. Services such as Caxton FC, Revolut, peer-to-peer currency exchange business WeSwap, Curve and Fairfx have launched aggressively low-cost multicurrency pre-paid cards.

1.2. Why Are Consumers Looking at New Payment Methods?

The new currency exchange methods undercut the fees and commissions of established currency exchange providers and offer ease of use, flexibility and control.

Revolut's spokesman says the advantage of the card for travelers is that they are offered the interbank exchange rate, where other cards offer the Mastercard or Visa rate of 5% in foreign exchange fees from banks, retailers and airport bureau.

"We give the best exchange rate available on the market and you can spend as much as you want unlimited anywhere in the world with a Revolut card, contactless Mastercard or Visa," he says. But Revolut has reduced the amount of cash that can be taken out of an ATM for free to GBP200 per month for standard customers, and GBP400 per month for the premium customers who pay GBP6.99 a month.

Curve replaces all the cards in a consumer's wallet with a single card and allows the user to decide which payment method they want to use to get the best deal. When a traveler makes a purchase overseas, Curve exchanges currency automatically so the user's bank does not register a foreign currency transaction and therefore does not charge an exchange fee.

1.3. How Can Travel Brands Capitalize on the Changing Landscape?

Currency cards with low rates give travelers greater confidence to spend freely without fear of racking up huge charges, as do localized digital payment methods. This encourages greater spending on discretionary items such as meals or drinks. Many of the new currency cards run on the Visa and Mastercard systems, so there is no extra complexity for merchants.

There are an estimated 235 payment methods on offer around the globe according to website About-Payments.com and clearly no merchant will be able to accept all of them. However, by identifying their core customers and the payment methods they use, brands can work with providers to develop a sophisticated strategy that encourages seamless spending.

Some face-to-face payment methods such as mobile wallets require new kit. Alipay and WeChat Pay use a system of QR codes requiring merchants to use special readers. The wallets offer the advantage that there is no need for consumers to input personal details such as pin numbers. Another advantage for merchants is that these systems are completely automated.

Merchants also benefit from increased security features that come with alternative payment methods. These protect them from fraud and returns as funds can be verified directly from the consumer's account, the accounts can be validated in real time, and they can be linked up to more secure verification, such as biometrics, or multi-stage methods.

Any international travel brand will also be aware that local markets are usually diverse in their habits and preferences, and payments are no different. In the Netherlands, there is the iDeal, Sweden offers Klarna, and Saudi Arabia has Sadad.

For OTAs, airlines and hotel brands being global but acting local is just another part of the game. Being able to handle local payment methods so consumers from one market can seamlessly book their trips is just another way of increasing the probability of conversion and retention.

> *"As soon as you implement installments, you will see an improvement in sales because that is how people are used to paying."*
>
> Daniel Greaves, Senior Manager, Marketing, Payments, Amadeus IT Group

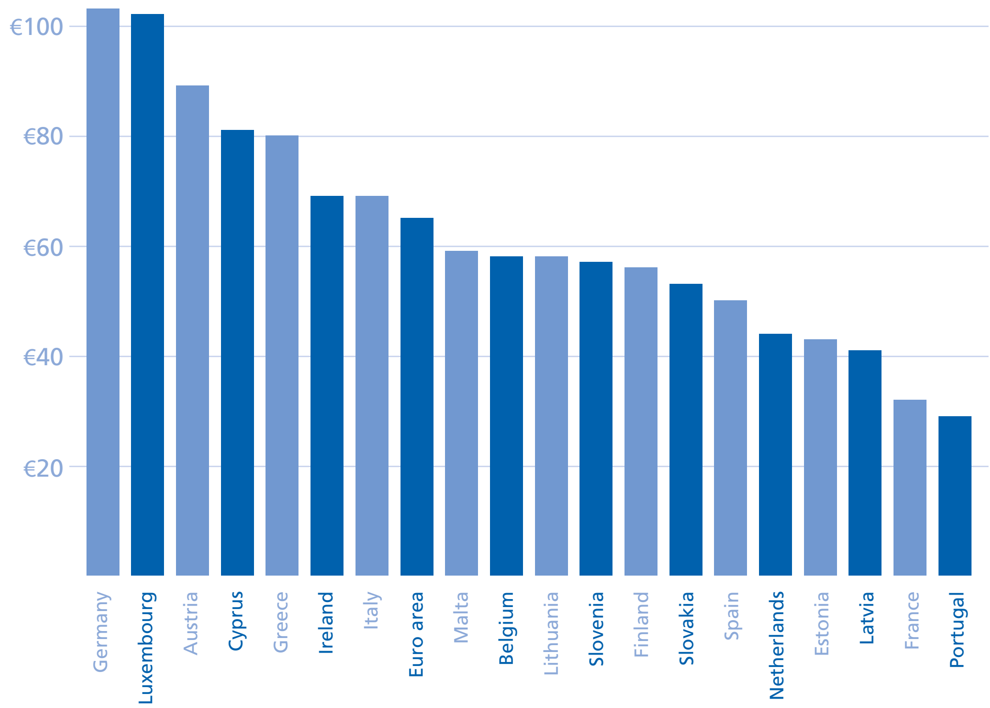
One example of local consumer behavior is in Latin America, where there has been a growth in services that allow consumers to pay for their travel purchase in instalments over the course of several months. "We see it a lot with airlines entering the Latin American market and looking to improve sales. As soon as you implement installments, you will see an improvement in sales because that is how people are used to paying," says Daniel Greaves, Senior Manager, Marketing, Payments at Amadeus IT Group, underlining how localization in payment methods can add up. This is especially the case as booking a trip requires a high degree of trust and making sure consumers and comfortable and trust in their payment option helps to foster this.

1.4. A Cash Crash?

Industry opinion is divided about whether cash is truly on the way out and how long this could take.

"Cash is in demise," says Alex Fitzpatrick, head of global payments at travel commerce company Travelport. "We will be a cashless society eventually," she adds. In her opinion governments want to move payments to a digital platform to increase oversight and transparency. Businesses would also prefer to do without cash.

Figure 2 / Table1: Average Amount of Cash Held in Wallet in European Countries



Germany	€103
Luxembourg	€102
Austria	€89
Cyprus	€81
Greece	€80
Ireland	€69
Italy	€69
Euro area	€65
Malta	€59
Belgium	€58
Lithuania	€58
Slovenia	€57
Finland	€56
Slovakia	€53
Spain	€50
Netherlands	€44
Estonia	€43
Latvia	€41
France	€32
Portugal	€29

Source: ECB, 2017

Worldpay's vice president for vertical growth in airlines and travel Thomas Helldorff, says: "Aiming for a cashless world is going to be a lot more difficult in the travel space. To cater for every traveler from every country you would have to integrate every single form of payment out there. Not a lot of them have, so far, managed to get global reach. It has taken the likes of Visa and Mastercard decades to get there. PayPal and a few other wallets are their closest followers. So, until travelers from whole world have access to one of the top 15 most popular payment methods – 15 is probably still manageable from a supplier perspective – I think that cash will still be a relevant factor when people go abroad and pay."

Even so, the volume of non-cash transactions is rising quickly, rising to an estimated 522 billion individual transactions in 2017, and an average Compound Annual Growth Rate (CAGR) of 10.9% across 2015 to 2020, according to the World Payments Report 2017 from CapGemini in association with BNP Paribas (CapGemini and BNP Paribas, 2017).

That said, the decline of cash is a mixed picture globally, as figures from Euromonitor International demonstrate. In Sweden, cash was responsible for just 6.4% of transaction value and 12% of transaction volumes in 2017. However, in Mexico, cash accounts for over half of value payments and three quarters of transaction volumes. It is interesting to note that cash value is lower in France than the UK, but transaction value is nearly double. This perhaps shows that the UK is managing cashless micropayments more strongly (See Table 2; Euromonitor, 2017).

Some are predicting the speedy decline of cash, but this table shows that in developing countries - which are some of the fastest growing tourism destinations - cash is still very much king.

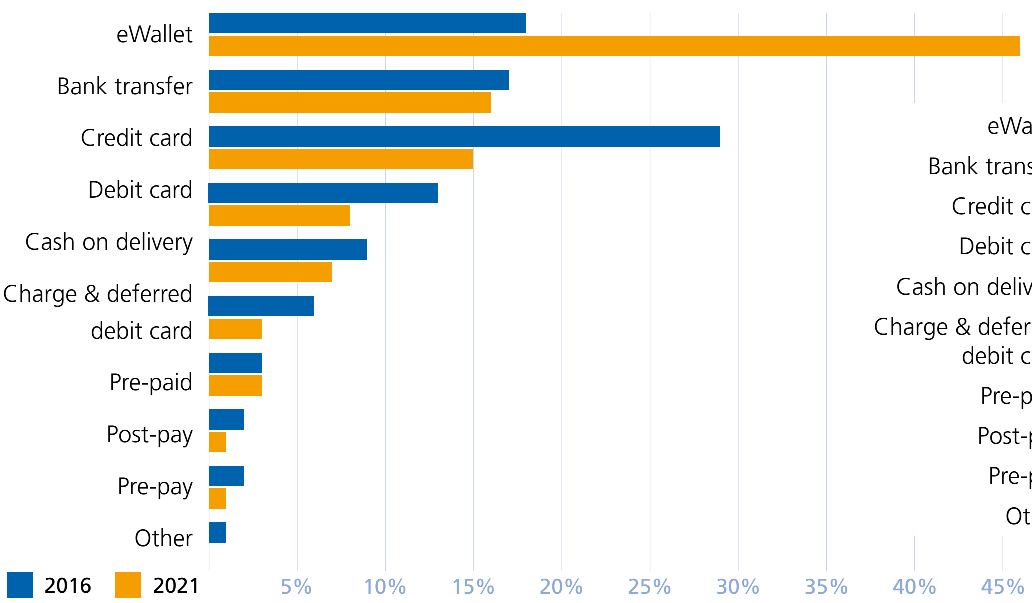
Table 2: Credit Card and Cash Payments Levels in 2017

	Value			Transactions		
Country	**Credit card**	**Cash**	**Total value** (USD millions)	**Credit card**	**Cash**	**Total value transactions** (USD millions)
South Korea	63.7%	6.7%	883,670.8	31.9%	31.4%	35,781.7
Canada	48.8%	6.2%	832,700.3	25.7%	16.7%	18,697.2
US	24.0%	29.6%	12,880,904.8	16.1%	39.6%	223,901.1
China	17.3%	45.5%	18,841,085.5	1.0%	67.3%	1,465,050.0
Chile	17.0%	31.3%	188,708.4	6.8%	55.6%	7,308.5
Venezuela	15.4%	27.0%	17,345.6	0.8%	59.7%	6,178.5
UAE	12.1%	17.2%	237,497.4	7.6%	49.8%	3,968.0
Sweden	11.9%	6.4%	230,101.3	10.6%	12.0%	5,115.5
UK	11.6%	16.7%	1,714,168.6	7.2%	34.1%	41,503.9
Thailand	10.2%	29.8%	462,598.3	1.0%	94.0%	63,003.6
South Africa	8.0%	37.6%	287,632.0	1.9%	65.7%	23,841.1
Argentina	7.2%	42.1%	572,722.5	5.7%	52.0%	21,592.2
Mexico	4.7%	54.1%	831,477.6	1.8%	76.8%	48,450.2
France	2.8%	14.6%	1,272,717.9	0.7%	62.4%	58,648.4

Source: Euromonitor, 2017

When it comes to online payments, the *Worldpay Global Payments* report predicts the decline of credit and debit cards in e-commerce by 2021 and the rise of e-wallets and bank transfers. Globally they predict that while credit cards and debit cards will decline in e-commerce usage from 42% of purchases in 2016 to 23% in 2021, e-wallets will rise from 18% to 46%. Asia-Pacific will lead this trend, with 51% of purchases through e-wallets predicted by 2021, followed by North America, Latin America and EMEA is expected to bring up the rear, with e-wallets forecasted to be the top payment method but at just a 26% share, up from the estimated 17% in 2016 (Worldpay, 2017).

Figure 3 / Table 3: Predicted Change in Global E-commerce Methods from 2016 to 2021



	2016	2021
eWallet	18%	46%
Bank transfer	17%	16%
Credit card	29%	15%
Debit card	13%	8%
Cash on delivery	9%	7%
Charge & deferred debit card	6%	3%
Pre-paid	3%	3%
Post-pay	2%	1%
Pre-pay	2%	1%
Other	1%	0%

Source: Worldpay, 2017

2. DIGITAL WALLETS

2.1. Digital Wallets Dominate Chinese Payments - What Impact Will This Have on the Travel Industry?

China has leapfrogged the world to become the global leader in mobile wallets. In under a decade, mobile wallets from Alipay and WeChat Pay have become the main forms of payment for over a billion Chinese consumers. They use them for everything from paying bills, meals and taxi rides to shopping both in-store and via e-commerce. Now they can increasingly use them overseas.

The two brands are racing to establish a presence in travel outlets across the world to cater for China's travelers, who make up the largest outbound tourism market in the world. In 2017 more than 140 million mainland Chinese tourists travelled abroad, outstripping the 80 million Americans who travelled overseas or to Mexico or Canada. China's travelers are huge spenders globally, parting with some USD261bn in 2016, according to CLSA (CLSA, 2017). Travel brands and retailers looking to get a slice of this spending are installing an Alipay or WeChat Pay reader on their front desk.

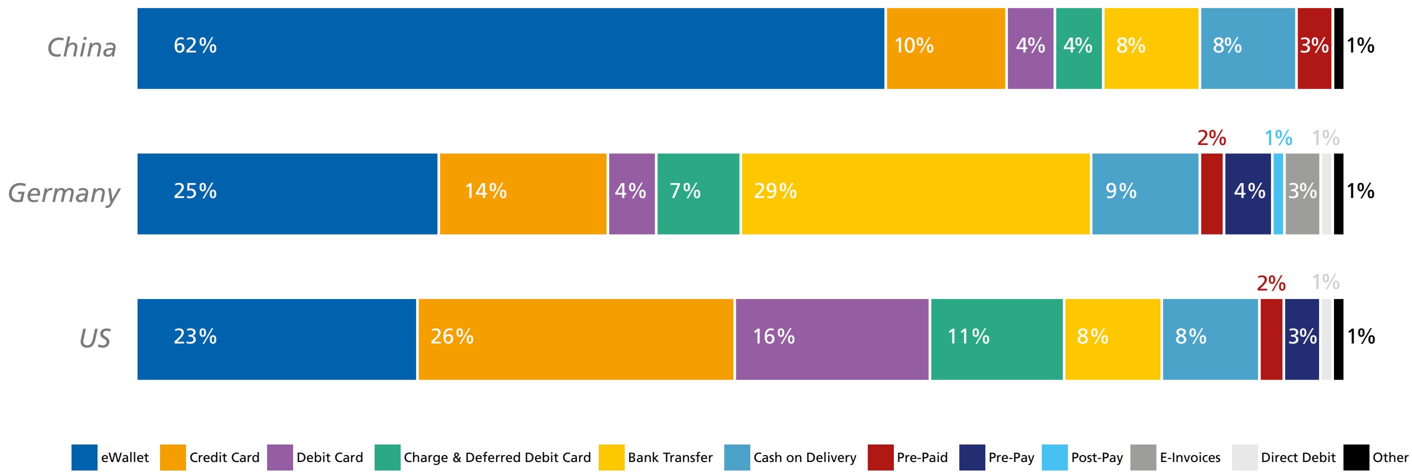
Alipay, run by Ant Financial, which is affiliated to Chinese e-commerce platform Alibaba, has 520 million users across China. WeChat Pay, is part of the WeChat social media and messaging app owned by Tencent, which was launched in 2011. WeChat Pay claimed that it had more than 600 million monthly users in December 2016 and this seems likely to have risen since as Monthly Active Users (MAU) of Weixin and WeChat is now just shy of one billion, growing in double digits year-on-year (Tencent, 2017a).

In 2016, nearly USD3 trillion of payments were processed through Alipay and WeChat Pay, rising from USD80bn in 2012 according to the UN's Better Than Cash Alliance (Better than Cash Alliance, 2017). Other estimates put the 2016 figures at USD5.5 trillion (CNBC 2017). The success of these mobile wallets is partly down to the backing they have received from central government, but it also a testament to the simplicity and effectiveness of QR code technology - for both consumers and merchants - which has allowed mobile wallets to leapfrog credit cards. In 2017 Tencent announced that it was releasing "Weixin Smart Transport, a solution that enables users to pay instantly for public transport fares by scanning QR codes, even without Internet access at the point of transaction." (Tencent, 2017b)

The development of these apps leaves the payments environment in China largely split between the two giants and cash.

According to Worldpay, a huge 62% of e-commerce transactions in China went through an e-wallet in 2016, compared to 25% in Germany and 23% in the US. In comparison, in the US the most popular payment method was a credit card at 26% and in Germany bank transfer was preferred at 29% of transactions (Worldpay, 2017). This illustrates the importance of e-wallets in China and also the large differences between preferred payment methods and payment habits across just the three largest international travel markets in the world.

Figure 4: E-Commerce Payment Methods in China, Germany and the US 2016



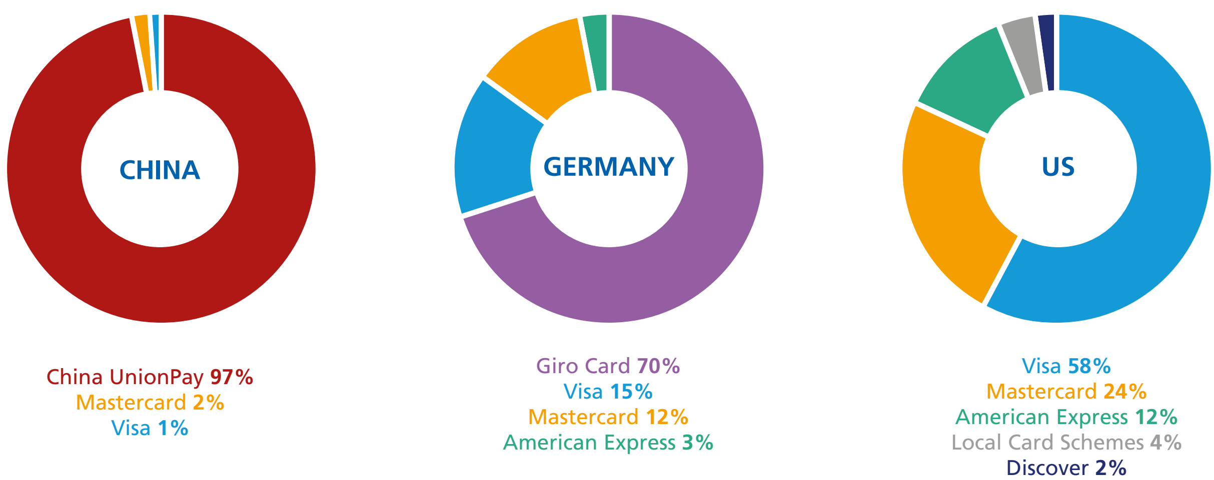
Source: Worldpay, 2017

The wallets work by linking users' bank accounts to the apps. Consumers can use the wallets to purchase e-commerce items on their mobile with a couple of taps, or if buying via a desktop, the e-commerce retailer creates a QR code on screen which the user scans with their mobile phone. For in-store purchases, smaller retailers tend to have their own QR code on a piece of card, which the user scans, then enters the sum to be paid. When the payment is confirmed, a message is sent to the retailer's phone. Even street buskers in China display QR codes which passers-by scan to donate money. For bigger ticket items, a QR code can be created on the user's phone, which the retailer scans with a reader.

Chinese travelers have struggled somewhat when it comes to paying overseas. They tend to book travel and accommodation online through agents, but have found it tricky to pay for items in Europe and the US. One of their biggest pastimes when travelling has been shopping, driven partly by a desire to buy authentic goods in a home market awash with fakes. They have typically carried around large sums of cash when travelling. That said, many luxury retailers have started accepting China UnionPay.

UnionPay is the largest card issuer in the world, and has overtaken Visa and MasterCard, with five billion cards in circulation bearing its name. UnionPay is a monopoly provider of cards for China's four largest banks and accordingly has a 97% market share for card schemes according to Worldpay (see Figure 5; Worldpay, 2017). But a World Trade Organization ruling in 2012 has opened up China's market to Visa, Mastercard and other providers. There is now a battle to establish global supremacy.

Figure 5: Card Scheme Market Share in China, Germany and the US in 2016



Source: Worldpay, 2017

UnionPay is being eclipsed by the mobile wallets as a form of payment, and now UnionPay cards sit within the mobile apps. China UnionPay has created its own mobile wallet, though this is dwarfed by the two giant rivals.

2.2. China's Mobile Wallets Go Global

Alipay started its global roll out in 2015. By last April, Alipay said it was available in 100,000 outlets in 26 countries. In 2017, Alipay signed a deal with US payment processor First Data Corp to let users shop at 4 million outlets across the US, which is nearly as many as Apple Pay. Travel brands with significant Chinese traffic have adopted the mobile wallet. Intercontinental Hotels Group announced a global partnership with Alipay, allowing guests to use the mobile wallet to pay online, via mobile or at all the hotels globally. This began at IHG's 270 hotels in China, then the global roll out began last year to the group's 5,000 properties worldwide. Airports around the world are starting to accept Alipay and WeChat Pay - last autumn, London's Heathrow Airport implemented Alipay at its Plaza Premium Lounges.

WeChat Pay launched in Europe last year, establishing offices in Italy and the UK and partnering with German payments firm Wirecard to allow European retailers to accept WeChat Pay. In the US, the company has struck a partnership with mobile payment start-up CitCon. It is available at several hundred US leisure operators, such as Caesars Entertainment in Las Vegas.

The two companies are already firmly established in Asian markets such as Japan, Thailand, The Philippines and Indonesia.

In 2017, Ant Financial purchased Singapore's Lazada Group which owns the HelloPay Group, and rebranded it as Alipay. This indicates the group's strategy, which is to enter a market and put in readers to service Chinese tourists. It then makes acquisitions and strikes partnerships to launch the service for the local market. There are no indications yet that AliPay or WeChat Pay are planning to launch services for European or US consumers.

"With mobile wallets, incorporated into a comprehensive social media strategy, hotels stand to gain incremental brand awareness, customer loyalty and ultimately, more sales."

Ovidiu Olea, Founder and Chief Executive, Valoot

Ovidiu Olea, founder and chief executive of Hong Kong-based fintech start-up Valoot, says Alipay and WeChat Pay are now part of the fabric of commerce in China. "More than just replacing cash, they have successfully replaced plastic as well. They have leapfrogged other parts of the world where there is a move to contactless and instead they have delivered convenience through QR codes," he says.

He adds that the only reason Chinese shoppers keep their plastic cards is for when they travel abroad.

International merchants who depend on Chinese shoppers have approached Valoot to implement WeChat Pay. "WeChat Pay is cheaper for the merchant compared to regular card acceptance and more convenient for the shopper. There are also social media benefits from deploying WeChat Pay, as merchants can set up 'Official Accounts' that can act as mini-e-commerce sites."

He believes Visa, MasterCard and their issuing banks may follow in China's footsteps and develop QR code payment systems.

For the future, he says: "I think you will see a closer interaction between payments and social media. Credit card payments are very "dry" in that they provide very few loyalty hooks for the hotel. With mobile wallets, incorporated into a comprehensive social media strategy, hotels stand to gain incremental brand awareness, customer loyalty and ultimately, more sales."

2.3. Are Other Countries Converting from Cash?

By contrast, mobile wallet usage has grown slowly in Western markets. Some believe it could take years for mobile wallets to become a dominant form of payment. The big tech companies have launched wallets, such as Apple Pay, Android Pay, Samsung Pay, and Pay Pal. These have driven mobile commerce, but their use in retail outlets has yet to take off.

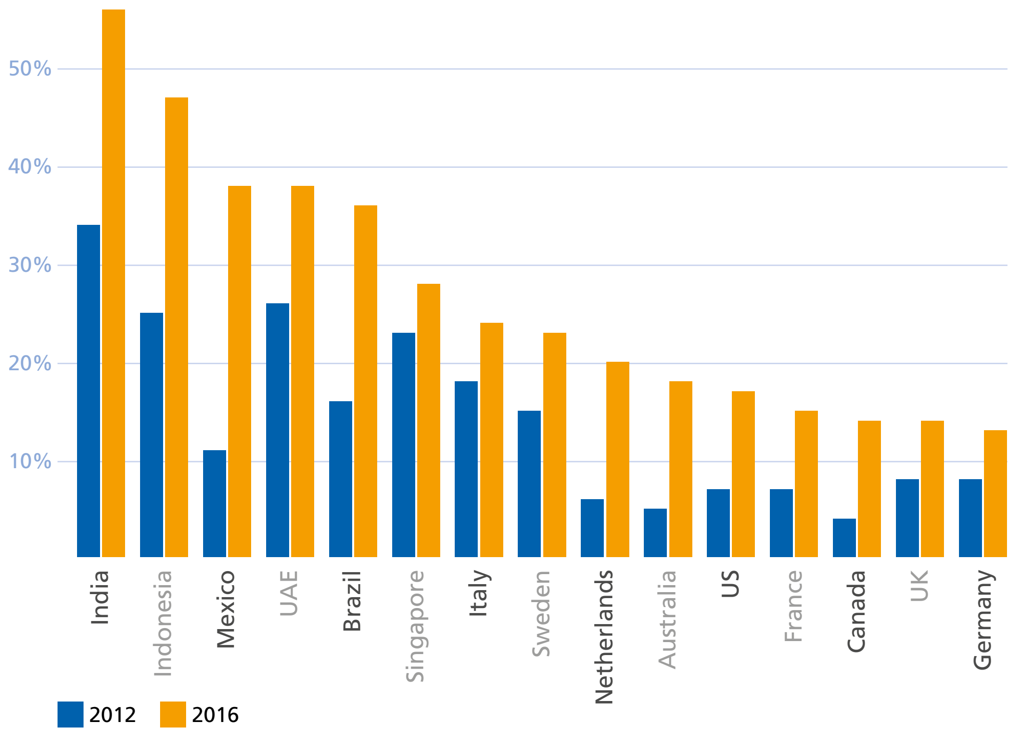
Many outlets in the US do not accept mobile payment as they don't have contactless readers. Where mobile payments are accepted, it is just as easy to use a card. Consumers also cite concerns about the security of paying with mobile wallets.

In the US, MasterCard estimates that in-store mobile wallet payments were worth USD75bn in 2017 and will rise to USD503bn by 2020. But the report notes that there seems to be little enthusiasm for mobile wallets among consumers (Business Insider, 2017). There are few incentives for them to switch away from card payments to mobile. The industry is looking at ways of integrating loyalty programs and other incentives into mobile wallets to stimulate usage.

Consumer research among 6,000 consumers worldwide by ACI Worldwide and Aite shows that this development in mobile wallets appears to be divided between the developed and developing world but growth in adoption in both. In 2016, 17% of US consumers used their smartphone to pay, compared to 7% in 2012. In Europe, Spanish consumers are the greatest users of mobile payments, with 25% using them regularly, followed by 24% in Italy, 23% in Sweden and 14% in the UK. In contrast, India jumped from 34% to 56% in 2016, and in Indonesia, Mexico and Brazil more than a quarter of consumers had adopted a mobile wallet (ACI Worldwide, 2017). Also as noted in Figure 4, China is also already a majority mobile wallet user when it comes to e-commerce.

Cheaper infrastructure, growing smartphone ubiquity and mobile internet connections, alongside a lack of ingrained behaviors and technologies seem to be playing their part in adoption in developing countries and means that these consumers will lead in growing usage over the next few years. As these travel markets grow in size and importance, travel brands will need to take into account their growing adoption of digital payment methods, many of which may be local players.

Figure 6 / Table 4: Mobile Wallet Adoption, 2012 to 2016

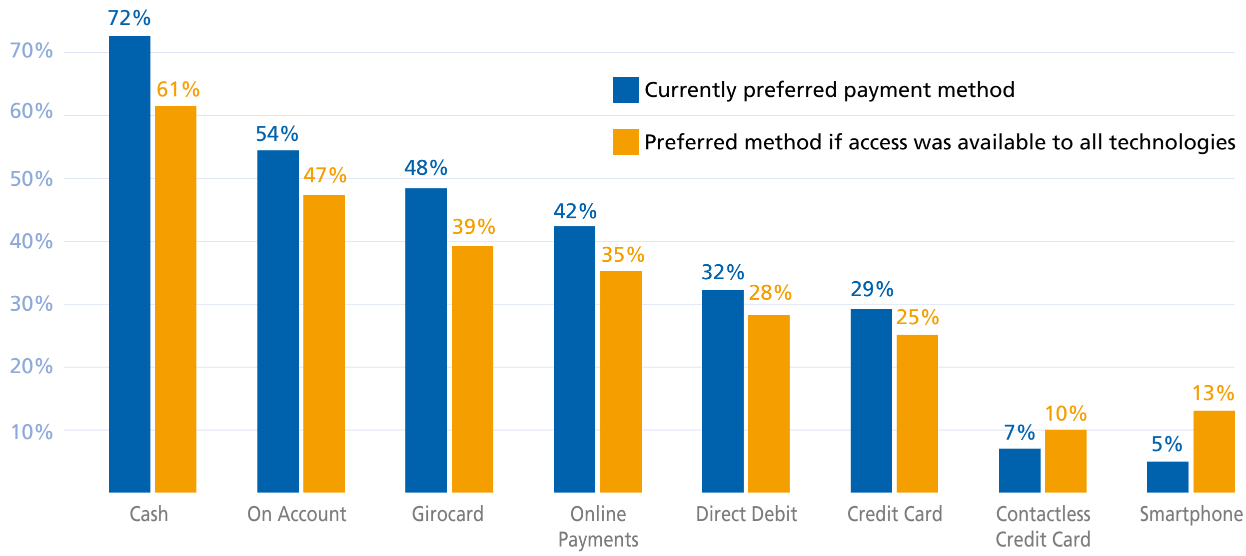


	2012	2016
India	34%	56%
Indonesia	25%	47%
Mexico	11%	38%
UAE	26%	38%
Brazil	16%	36%
Singapore	23%	28%
Italy	18%	24%
Sweden	15%	23%
Netherlands	6%	20%
Australia	5%	18%
US	7%	17%
France	7%	15%
Canada	4%	14%
UK	8%	14%
Germany	8%	13%

Source: ACI Worldwide, 2017

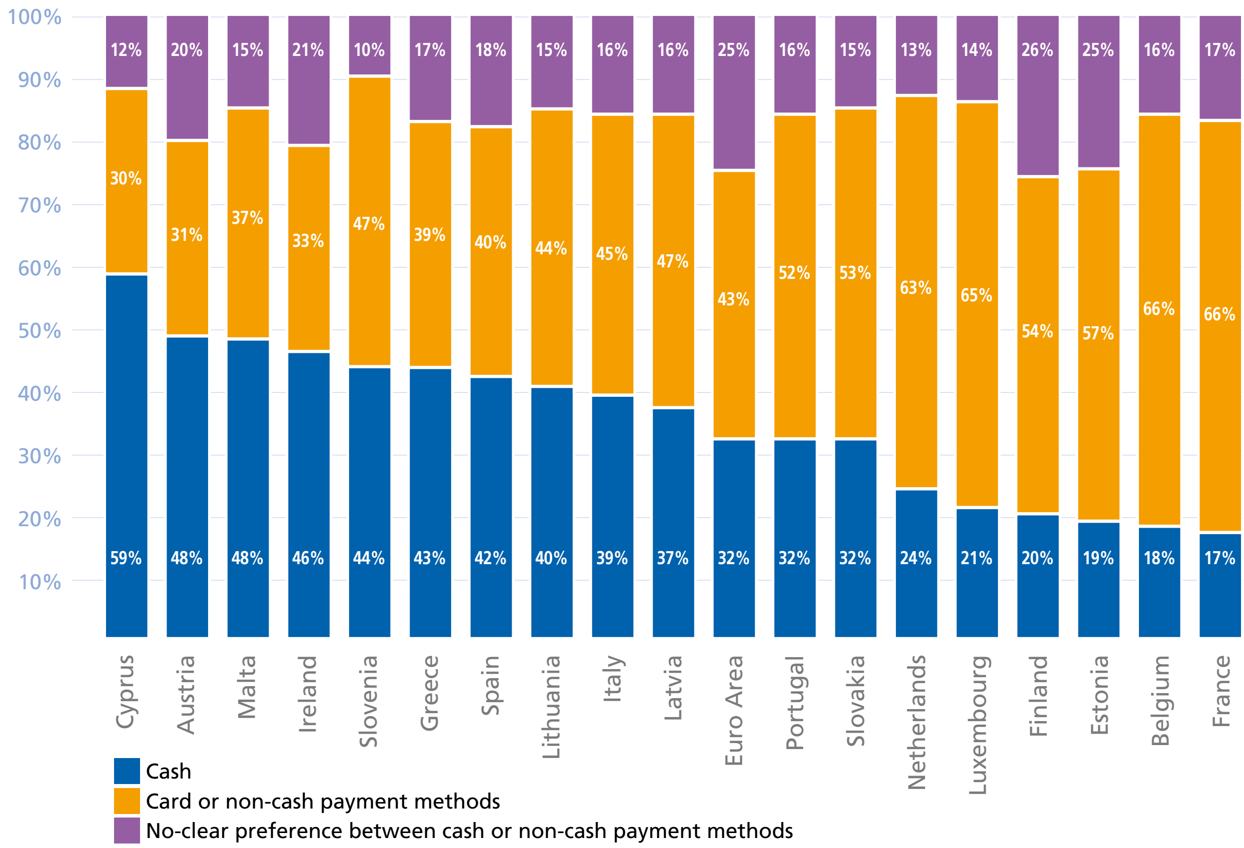
Meanwhile, German consumers seem to be the most reluctant to adopt mobile payments and show the greatest propensity to use cash. In the case of Germany, this is attributed to the nation's past experiences of hyper-inflation which make people distrustful of anything which is not hard cash. Therefore, they carry the most cash of any country in Europe and a huge 72% currently prefer to pay in cash (PwC, 2017). 48% of Austrian consumers also prefer cash, whereas just 17% of French consumers do when paying in a shop according to the ECB, illustrating the high divergence in behaviors just in the European Union (ECB, 2017).

Figure 7: Preferred Payment Methods for German Consumers



Source: PwC, 2017

Figure 8: Preferred Payment Method in Shops by Europeans



Source: ECB, 2017

3. CURRENCY CARDS

Pre-paid currency cards are one of the big innovations in travel payments over recent years, solving multiple problems for travelers and fuelling a new breed of financial start-ups. Some launched as simple pre-paid travel cards but in the past few years have added multi-currency exchange.

The cards are more secure than carrying cash abroad but without the hassle of travelers cheques. Most are MasterCard or Visa branded, operated via mobile app and topped up online. However, most car hire companies insist on credit cards. Many of the cards offer wholesale currency exchange rates and allow free or low-fee cash withdrawals.

As Ian Strafford Taylor, chief executive of currency card company FairFX, says: "The pre-paid card market began to take off when consumers started to realize that high street banks were offering them a bad deal on exchange rates and fees for spending and withdrawing cash abroad. Debit and credit cards may be an easy option to default to, but the hidden fees soon start to pile up over the course of a holiday." In his opinion FairFX has helped educate customers about pre-paid cards to understand how they work and why they are often a better alternative than traditional payment methods.

FairFX, which launched in 2007, has attracted some 700,000 customers. It offers a Rate Alert service that tells travelers when the exchange rate is in their favor so they can save for their trip.

There are hundreds of pre-paid cards for travelers offered by the established players such as Travelex, MoneyCorp, Thomas Cook and the UK Post Office and by financial innovators such as Caxton FX, FairFX, Revolut and WeSwap. Other examples include Germany's Payango, Mexico's Banorte, and Canada's Bank of Montreal and Citizens Bank.

The UK's Post Office says it originally launched a pre-paid travel card in 2006 because it wanted to offer a secure and convenient way for travelers to spend on holiday via a card. It has sold over 1.3 million cards since then. In 2017, it launched a multi-currency card.

Given all the advantages and the huge supply, it is surprising that the take up of the cards among travelers has not been greater.

Research by RFi Group in 2016 among 1,000 UK respondents found only 11% said they had used pre-paid card when going abroad in the previous 12 months. But the group found that a third of Australian travelers had used currency cards, suggesting that the UK will adopt currency cards more in the future led by younger consumers (RFi Group UK Payments and Innovations Council, 2017).

The pre-paid currency cards target several audiences and needs. Anouska Ladds, Mastercard's European head of airlines, hotels and OTAs, says the cards appeal to digitally savvy users who want insight into their travel budgets. The cards' mobile apps, allow users to analyze their spending and some offer the option of setting budgets digitally.

Other customers like the cards because they allow them to save for their holidays.

"There are many different segments this is targeting, whether it is those who are looking to save every month, versus those who want better and greater granular information when they are travelling," she says.

"These travel currency solutions offer the ability to be able to pay all the way through from hotel bill to paying for their dinner and then when they are coming home, being able to switch that currency back into pounds and being able to leverage that when they are at home."

Table 5: UK Payment Methods While Travelling

	Cash	Credit card	Debit card	Pre-paid travel card	Travelers cheques
Accommodation	7%	25%	19%	2%	11%
Travel-related expenses	37%	21%	17%	2%	1%
Tickets to attractions	40%	14%	13%	3%	1%
Meals in restaurants	51%	23%	17%	5%	1%
Food/drinks in cafés/bars	68%	11%	11%	3%	1%
Purchases at small retailers	64%	12%	13%	3%	1%
Purchases at large retailers	36%	24%	20%	4%	2%

Source: RFi Group UK Payments and Innovations Council, 2016

According to Ben Jackson, director of Mercator Advisory Group's Pre-paid Advisory, "Travel pre-paid cards have a bright future around the world, but only if the cards are marketed and distributed through the correct channels." He says it is vital that pre-paid products are developed that reflect the needs and behavior of the market.

Caxton FX, founded 15 years ago, offers a multi-currency pre-paid card for travelers in 14 currencies, and boasts no charges for foreign exchange or for taking money out from an overseas ATM. The service has had a turnover so far of GBP1 billion.

Chief marketing officer Richard Cole says Caxton FX takes a margin on the exchange rates but adds: "We are between 3% and 8% cheaper than the high street banks using debit cards and 10 - 12% cheaper than the airport bureau." He says customers will often put pounds on their cards then wait for a favorable exchange rate in advance of their trip to change currency. This way they can lock in the best exchange rates.

Another travel payment innovation is Revolut, a loadable currency card that launched two years ago and has attracted 1.3 million customers across Europe. A spokesman says it is "the fastest growing fintech company in Europe" and has attracted USD9bn in turnover and has carried out 100 million individual card transactions. He says Revolut has evolved beyond being simply a traveler's card and is looking to offer mainstream banking and finance products such as current accounts and insurance. The company is launching a travel insurance product that uses geolocation technology to automatically charge users when they are in a foreign country so they don't have to worry about taking out a policy.

Start-ups such as Caxton and Revolut are aimed not just at the occasional tourist taking an annual holiday but regular travelers and business users. They also target expatriate citizens living in different countries who need to repatriate payments.

The peer-to-peer service WeSwap allows users to pre-load a card in sterling and decide which currency they wish to use. The currency is swapped with other travelers. The card holds the new currency and can be used round the world as a Mastercard. It has watered down its offer of free cash withdrawals from ATMs. These attract a charge below EUR200.

Another "neobank" offering a card is Monzo, but it is phasing out its multicurrency pre-paid card as it attempts to concentrate on core banking services. The benefits of the currency card - low cost exchange and overseas cash withdrawals - will be available on the main Monzo banking card.

Another innovative start-up is Curve, which links to all a customer's credit and debit cards and bank accounts. The user can choose which service they pay with at any time by toggling options on the mobile app. The company wants to eventually become a one-stop service that ties in all payment methods. It allows customers to change how they pay for something even after they have bought it.

3.1. Revenue Generation Models

The peer-to-peer cards make money from hedging currency conversions, benefiting from upswings. Their technology allows them to keep costs down and work on low margins, so even though some charge just 1% on exchange, they can still be profitable because they have a low-cost base.

There are doubts though about whether the low exchange rates and low-cost cash withdrawals will be sustainable. These have been used in a classic start-up "freemium" strategy of launching with free offers but some of the cards are now upping their rates and gradually increasing charges.

They are moving their business models on to other strategies such as cross-selling services.

It will be interesting to see how long they can continue with their low cost offers before being forced to raise their prices.

4. HOW WILL TRAVELERS PAY IN THE FUTURE?

4.1. What Is the Future for Travel Payments?

The world's fragmented, localized payment ecosystem is ripe for disruption. Alternative payment methods are growing fast, though at vastly different rates across regions. The race is on to create truly global payment platforms which cater for all a consumer's financial needs.

Many in the payments industry assume that mobile phones and wearables such as smart watches will eventually replace cards and cash to become the primary payment devices. They expect the rise of a handful of mobile payment platforms will come to dominate global transactions allowing seamless spending with the wave of a smartphone in any continent.

Currently, those players that have arisen to become market leaders are largely based around a core geographical markets, where attitudes, policies, or a combination of both have led consumers to put their faith in them.

In China, India and Africa, mobile wallets are leapfrogging other payment systems. India's Government under Prime Minister Modi is attempting to digitize payments and phase out cash - and in a shock move demonetized the 500 Rupee and 1,000 Rupee notes in 2016. India's PayTM mobile wallet is rapidly growing and has some 280 million registered users (PayTM, 2017). Africa's M-Pesa mobile wallet has some 26 million users as it has become a driver of payments and commerce among many unbanked in Kenya and Tanzania (Safaricom Limited, 2017).

China's mobile wallets Alipay and WeChat Pay are already the gateway for the majority of consumer spending in the country and are expanding in Asia.

The story so far is different in Western markets, where the growth of mobile payments and wallets, such as Apple Pay, Android Pay and Samsung Pay, has been less spectacular. However, the wallets are becoming more widely used as they offer a seamless, one-click method of payment and PayPal now has some 227 million users worldwide (Paypal, 2018). In response, Mastercard and Visa have launched their own competitive wallets Masterpass and Visa Checkout. However, in physical stores, there is not enough reason to pay by mobile wallet since a credit or debit card or cash is established and usually as simple. People seem resistant to mobile payments in a lot of markets and continue to depend on cards and cash.

Travelers will only ditch their physical wallets in favor of smartphones when they are confident that there is worldwide acceptance of mobile payments and their security.

"We are planning to bring in three or four top payment services providers to ask: 'Can you show your thought leadership and vision for the next two to five years?' What about social media payment, artificial intelligence and machine learning? We want a partner that will help us go along smoothly with this ever-changing landscape."

Peter Quinn, Payments and Revenue Systems Lead, Eurostar

4.2. Travel Brands Keep a Watching Brief on the Future

Meanwhile, travel brands are slowly adapting to the new payments landscape, adding in new payment methods when they believe this will boost conversions. Many providers are still considering whether to accept Paypal and other digital wallets. This is a process that will unfold gradually over several years.

Travel brands are keeping a watching brief on new payment methods and are asking the payment service providers to present a vision of how the market will evolve. As Peter Quinn, payments and revenue systems lead at Eurostar, says: "We are planning to bring in three or four top payment services providers to ask: 'Can you show your thought leadership and vision for the next two to five years?' What about social media payment, artificial intelligence and machine learning? We want a partner that will help us go along smoothly with this ever- changing landscape."

He points out that the explosion of payment methods and types makes it hard for travel brands to get all the information they need about every option in every country.

"We try and go to as many exhibitions and presentations as possible but you often need these acquirers and payment service providers to act as your conduit. They really need to be ahead of the game."

4.3. Is China a Sign of Things to Come?

Science fiction writer William Gibson once observed: "The future is already here. It is just not very evenly distributed." The sheer pace of growth by Alipay and WeChat Pay in China is evidence of the speed at which disruptive payment models can transform the landscape. But will the whole world follow suit in the rush to mobile payment, or will this revolution be confined to China?

Shachar Bialick, founder and chief executive of payments platform Curve, believes the world of money will eventually consolidate into a powerful payments "operating system" that will aggregate all bank accounts, savings and credit and debit cards under one service. This is what Curve is attempting to do. In his opinion, "It is inevitable that a platform will converge all money into one operating system, one point of access. It could be one of the big tech companies, one of the GAFAs (Google, Apple, Facebook, Amazon), it could be a Paypal or Mastercard or it could be Curve, but it will definitely happen," he says.

He believes Alipay or WeChat Pay could also be contenders to become dominant global payment "operating systems". They have already achieved this in China, as everything is connected to these operators, from taxi payments and food to savings, insurance, shopping and even dating.

But the spread of Alipay and WeChat Pay in Europe and the US will depend on whether the buying power of Chinese tourists is sufficient to drive the infrastructure to handle these payments.

"If the buying power of the Chinese is strong enough, so in every corner shop you can pay with a QR code, they could win the game," he says. However, he believes global success would mean the Chinese contenders dropping the QR Code system and instead adopting Near Field Communications (NFC) technology, which powers the likes of Apple Pay and allows for contactless payments.

He believes Curve's opportunity lies in the fact that it is not hooked into one of the big, exclusive "walled garden" systems such as Apple or Android.

A big advantage for WeChat Pay is its integration of payments into the social media environment, allowing what has been termed "contextual commerce". If two users are discussing holidays via the app, an ad will pop up suggesting a trip and allow them pay for it inside the app. This offers a world of seamless payments where any purchase is just a click away. This will drive up the number of purchases as it removes the barriers to buying.

4.4. Seamless Payments

A big push in payments is to make payment seamless and thus painless. Uber has achieved this by storing payment details, so rides can be taken without going through a payment process each time. Seamless payments are taking off across the travel industry with airline and hotels integrating Uber-like payment experiences in their apps.

"We are already seeing the beginning of that," says Thomas Helldorff, "there is a lot of cooperation starting to form." He points to Qatar Airways partnering with Limo provider Blacklane to offer a chauffeur service from airports to hotels. Many airlines, travel agents and hotels are embedding ground transportation partners into their apps, sharing the revenue generated by the leads.

"You could be on holiday in Rome and receive a discounted offer to buy tickets at the Colosseum. One frictionless in-app purchase and you could be straight on the guided tour."

Edward Chandler, CCO, eNett International

Helldorff continues: "The likes of Airbnb and other travel companies are moving into the experience world, and starting to mimic that concierge experience you get in a hotel by giving extra recommendations. Instead of pay for a vanilla bed, they're enriching their guest's experience by offering extra ancillary services around their stay. Removing the payment headache from the booking experience creates loyalty to their brand."

Innovation in payments will become a key differentiator amongst travel businesses, particularly among OTAs, says Edward Chandler, CCO at eNett International. "It will help them to offer bespoke customer experiences and enhance the quality of trips through real-time in-destination offers. For example, you could be on holiday in Rome and receive a discounted offer to buy tickets at the Colosseum," he says. "One frictionless in-app purchase and you could be straight on the guided tour."

5. INTEGRATING INTO THE NEW PAYMENTS LANDSCAPE

5.1. Driving Revenues with Cash Alternatives

With new payment options gaining popularity across the world, global travel brands are focusing on the methods that will build a seamless experience for their customers.

Implementing a new payment option has many potential pitfalls and challenges. For instance, it must work equally well across all channels. If a hotel guest reserves a room using a mobile wallet, they should be able to pay the extras for their stay at the check-out with the same method. Embedding the technology, updating systems and ensuring the new payment type complies with local legislation adds up to significant work.

Jorge Rodriguez, marketing and e-commerce manager at easyHotel, says: "The key factors to accepting a new method of payment are that it is widely used by our demographic, which is quite broad – from 15-55 plus. It must be easy to integrate with our Property Management System and offer a two-way integration. And it must have agreeable transactional charges," he says.

The chain has 26 hotels across Europe, a mix of franchises and owned properties. All accept conventional payment methods such as credit and debit cards, Visa, Mastercard and Amex. Hotels in Benelux have started accepting the Dutch payment system iDeal, while Paypal is being accepted in Germany. Most guests are from within the hotels' home countries or Europe so Easyhotel is not yet considering Alipay or WeChat Pay. But Rodriguez adds: "The more payment methods you can offer, the more chance there is to convert a customer."

"The more payment methods you can offer, the more chance there is to convert a customer."

Jorge Rodriguez, Marketing and E-commerce Manager, easyHotel

The hotel's accounts department must find it easy to handle any new payments, he says. "It needs to be a very measured approach to make sure we integrate seamlessly and that we don't create operational problems in the properties or on the ground. Also, it is important that we can work with different countries and legislations with different city taxes and local taxes. All these factors need to be carefully studied before implementing a new payment method." But he stresses that once a new payment system is set up and running, it will work smoothly.

Meanwhile, Eurostar, the channel tunnel rail service linking London with Paris, Brussels and more recently Amsterdam, continually reviews payment options. It accepts Amex, Mastercard and Visa credit and debit cards. And it takes e-vouchers, loyalty points and invoices from travel agents in the form of codes.

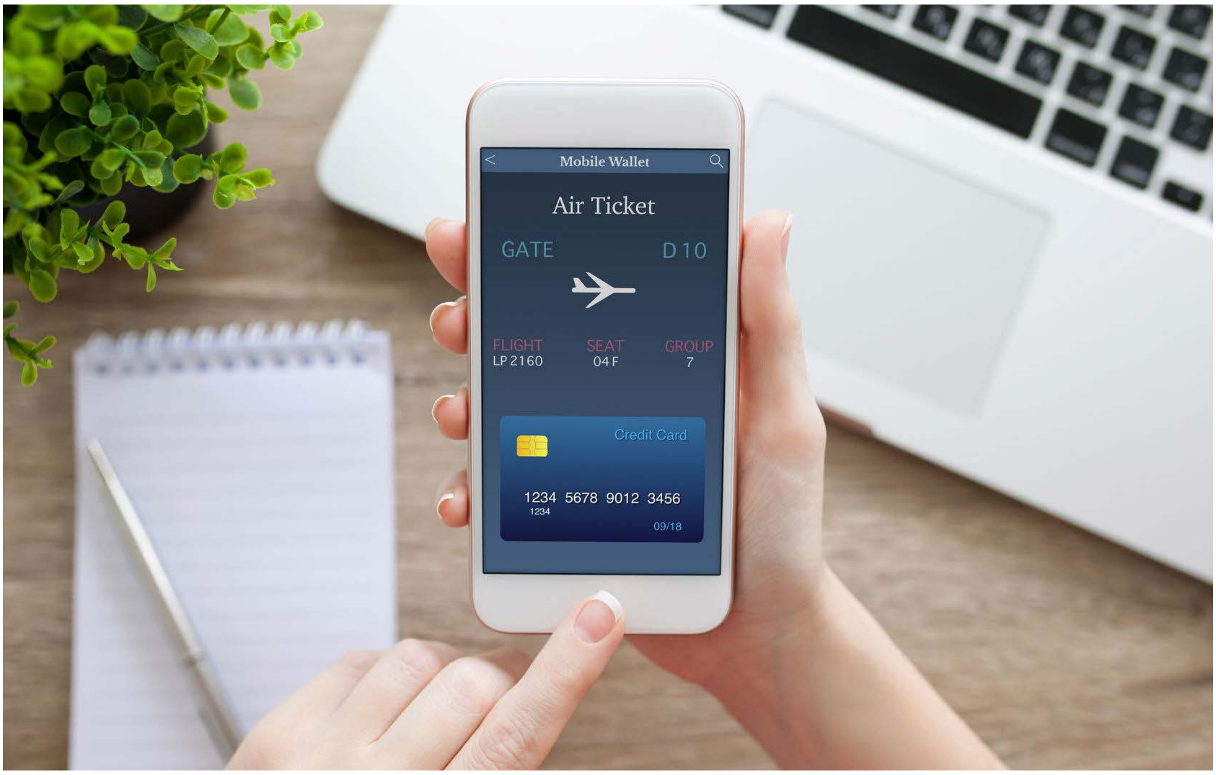
Peter Quinn, head of payment and revenue services at Eurostar, says: "Our selection methods for assessing new payment options like Paypal and Apple Pay in all of it's forms, for web, in app and contactless in store, means looking at the impact they'll have on conversion rates, the ease of use for the customer, the security it provides to both our customers and ourselves in order to reduce fraud rates and the cost of processing."

He says some of the new payment methods can increase conversion rates. But they may also be costly, incurring significant merchant service charges for each transaction and a transaction processing charge.

The key to developing an effective payments strategy is working with a "very flexible, forward looking, modern Payment Services Provider (PSP)," he says. But he adds that with so much complexity in the market, even the PSPs find it difficult to keep abreast of the explosion of new payment methods now coming through and are thus outsourcing to third party brokers to supply these services. For example they may link up with a third-party alternative payments providers such as PPRO.

Having too many payment methods can lead to confusion, he argues. "Many companies and online merchants are starting to have very cluttered websites with many options of how to pay," he says, pointing to some airlines sites, which have to have tabs of different payment methods, including AliPay, China UnionPay, IDEAL, Sofort, Giropay as well as all the other major card types.

"The movement in the industry is to be as flexible as possible with payment methods but not to make your payment page too cluttered for the market or channel being serviced. It is a balance," he adds.



5.2. Here's Where the Middle Man Comes In

For large hotel brands, the complexity of the new payment landscape means that PSPs are taking over much of the back-office work. Hotel payments can be highly complex as there are many variables in the equation.

A building could be owned by an investment company and run by a management company while the brand is owned by a global operator such as Hilton or Starwood. A room may be booked on a central website then the money needs to go to the individually run hotel. At easyHotel, payments are taken by each hotel and funds are then paid to head office according to contract.

> *"The more you move towards mobile, to alternative forms of payments, to local payments in South East Asia, China, Russia and Latin America, it becomes very complex very fast. The volume is relatively low but complexity is exponential."*
>
> Paul Van Alfen, Global Head of Airlines and Travel, Ingenico ePayments

Paul Van Alfen, global head of airlines and travel at Ingenico ePayments, says: "Yes there is a lot of complexity in travel payments but that is typically where the middle man comes in. The more you move towards mobile, to alternative forms of payments, to local payments in Southeast Asia, China, Russia and Latin America, it becomes very complex very fast. The volume is relatively low but complexity is exponential. That is where the large travel merchants with international reach have said 'we need it for our sales but don't want to expand our back-office operations, so we'll outsource that'."

Travel brands, whether hotels, airlines, restaurants or leisure providers, risk making some classic errors when they introduce a new payment type. As Thomas Helldorf, VP of Travel at Worldpay, says: "Where they get it wrong is when they try to do too many things at the same time, when they turn a new payment method on for their website and they don't tell the rest of the organisation. It could go horribly wrong because the fraud team didn't know about it, the finance department didn't know about it or it is an additional component in their reporting and it throws their reporting out."

His advice to companies is: "Ensure when you turn on the payment method that all the other parts of the organization are aligned and support that payment method as well.

"If you get that process right, you can turn on as many methods as needed wherever it makes sense for incremental revenue and a significant incremental reach in a particular market. That justifies the extra effort of adding a payment method."

5.3. Getting Value for Payments Data

Payment services providers offer a vital service to travel brands by supplying them with the relevant data from payment transactions in almost real time. This helps the brands to understand how consumers are reacting to their products and to quickly tweak them for maximum effect.

Eurostar works with payment service provider Mastercard Gateway Payment Services, a single gateway covering direct channels, such as dotcom, the contact center and railway stations. Eurostar's Quinn says: "They see every transaction whether by card or alternative payment method. They can give us data in semi-real time every five minutes. We are trying to get as rich data as possible, as fast as possible, so we can make semi-real time decisions."

However, he says Eurostar attempt to gather data from customer interactions before the payment intermediary gets to work. This throws open big questions about how the data is stored and used, and how this affects compliance with the new European data regulations, the General Data Protection Rule (GDPR.)

5.4. Fraud

Fraud is a growing issue in payments as consumer demand for global travel sees firms transact with suppliers across the globe. The International Airport Transport Association (IATA) estimates that fraud is costing airlines alone up to USD1 billion a year (IATA, 2018). The Association of British Travel Agents (ABTA) reports that travel fraud was up 425% year-on-year in 2016 (ABTA, 2017).

Edward Chandler, CCO at eNett International, says the problem is so ingrained in the industry that travel agencies now set aside 1-2% of their revenue into managing fraud.

He feels that progress is being made, however: "Today's advanced payment solutions are making it harder for fraudsters to penetrate systems, by simply changing the way travel operators pay suppliers. Today's payment options include the ability to place payment parameters on transactions such as type of merchant, and generating unique 16-digit card numbers for each individual payment."

5.5. Case Study: Skyscanner

Travel aggregator and metasearch engine Skyscanner has introduced a Direct Booking platform that allows travelers to research, choose and pay for itineraries within the website and app without being redirected to supplier sites.

This has been enabled by working with payment provider Braintree, which is owned by Paypal. By integrating Braintree's Forward API, Skyscanner is able to offer a seamless travel purchasing experience, regardless of the airline's payment processor. It securely shares payment and consumer information with airlines and OTAs on the platform. The system allows repeat consumers to have a quick checkout experience, as they are not required to enter their payment information every time that they look to book a ticket.

Skyscanner claims that Direct Booking has led to a 20% increase in flight booking conversions through the service and a doubling of ancillary purchases.

David Nunn, head of Braintree Europe, says direct booking benefits all involved. "Skyscanner wins because it is synonymous with higher user experience and better quality of traffic going to their partner. The airline wins because the traffic it is receiving from this metasearch engine is already coming in with pre-booked, confirmed holiday travel and services, being processed on their existing architecture." And the consumer wins by having a seamless booking process without being redirected to another site.

The risk for airlines is that Skyscanner becomes the lead brand in the travel chain, with the airlines demoted to commoditized service providers. However, Nunn says:

"Unless Skyscanner itself became an airline, I wouldn't see too much risk to the end airline."

CONCLUSION

In the coming years, travel brands will make some big decisions about adopting new payments methods. With innovation in financial technology moving so fast, they'll need to keep an eye on nascent developments.

The battle between banks, fintech start-ups, established payments providers and tech companies for a share of the payments market will get increasingly fierce. A wider array of social media platforms are looking to get involved and playing catch-up to the developments made by the major Chinese players. Social networks could be in a strong position to embed payment options given the important role of social media in forging travel plans. Facebook Messenger has introduced a system of peer-to-peer payments to friends and contacts, likely inspired by the WeChat, which saw nearly 47 billion red envelopes cash gifts exchanged on the network in 2017's Spring Festival (Statista, 2018). Facebook is already experimenting with chatbots in the WhatsApp messaging app. The next big phase in monetizing social media is expected to be "contextual commerce".

Further out into the future, blockchain technology and virtual currencies have the potential to transform digital payments. In 2014, Latvian airline airBaltic became the first airline to accept Bitcoin as payment for tickets to 60 destinations in Europe. Anecdotal evidence suggests that this was a public relations exercise and may not have attracted many customers paying by virtual currency.

Travelport's Alex Fitzpatrick believes seamless payment systems that do away with the need for swiping will come on line within a few years. Amazon has opened a store with no checkouts, pointing to a future of invisible payments. Amazon Go is a test store where shoppers are charged as they leave the shop, with their purchases tracked and charged when they pick them from the shelves.

In a similar way, travelers could be tracked as they walk through an airport and anything they take from retail shelves is automatically charged to their bank account through geo-tracking technology. Fitzpatrick also forecasts that blockchain-backed cryptocurrencies could eventually be used for settlements between travel brands and suppliers.

The platform economy has revolutionized the delivery of everything from pop music to taxis, with Spotify and Apple Music becoming the main portals for music, Netflix for TV, Airbnb for accommodation, Uber for taxis and Booking.com in travel. Will there also be an overarching global platform for money? This would make life easier for the travel payments process and would mirror the consolidation found in other tech sectors. However, this remains some way off as consumers still need the security of cash abroad and societies remain highly divergent in their attitudes to a relatively cashless society.

The good news for travel brands is that with increased competition in payments, charges should be held in check. The bigger story though is how travel brands will expand their sales and increase conversion rates through the new payment methods. This will outstrip any increase in costs. Having the right payment methods reduces abandoned shopping carts and increases conversion rates by making the transaction more convenient for the consumer and working in a medium where they are comfortable. They can expand their universe of consumers and can enhance the trust needed for consumers to part with their hard-won cash when buying a travel experience.

The long-term future of payments will therefore be driven by effective and easy-to-use technology but the does this mean the death of cash in travel? We wouldn't count on it just yet.

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