



Airline Payment Solutions: How Airlines Meet Increasing Customer Expectations with Digitalization

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wirecard

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1. The transformation of airlines: journeys go mobile

In 2017, almost 20 airlines disappeared off the face of the earth. They either went bankrupt or were acquired by other airlines, because, for a variety of reasons, they could no longer meet the demands of the industry. Spiralling costs, growing competition and increasing customer needs are often cited as airlines' biggest challenges.

Those who don't adapt to the continuous transformation of the aviation industry will have difficulty surviving. In this sector too, the mega trend is digitalization. Customers have long been demanding a seamless experience – during the complete customer journey – and, if they're not happy, they'll switch to a competitor, of which there are many, especially on the European market. Passengers can now use apps or their smartphone for everything from finding inspiration for their next holiday destination to comparing prices, booking, checking in, downloading boarding cards, making in-flight purchases and ordering a taxi upon arrival.

The importance of being able to book on a mobile device has increased significantly over the past years. 46% of users who make their flight decision on a mobile device change to another, non-mobile device to make the actual booking. The reasons for this are mainly linked to the uncertainty of whether they will be quoted the same price on their mobile device and the limitations of mobile flight booking sites¹. Airlines must react to this by creating the conditions for secure end-to-end booking on all devices.



Just like consumers in e-commerce and bricks-and-mortar retail stores, customers in tourism want an increasingly simple and pleasant shopping experience, and that includes payment. Ever more travellers expect payment to be integrated into their journey: it should be straightforward, transparent and mobile-enabled. Each interruption in the chain increases the risk of losing the customer to a competitor. PayPal, credit card, NFC smartphone payments or frequent-flyer miles; on the website, at the check-in counter or on board – if you don't offer customers the payment methods they want, you'll jeopardize sales. But if you provide a positive, seamless experience during

¹ Think with Google: "Travel booking trends revealed in let's-book-it moments", 2016.
<https://www.thinkwithgoogle.com/marketing-resources/micro-moments/travel-booking-trends-book-it-moments/>

the complete customer journey, with maximum choice, comfort and reliability, you'll secure the survival of the company in the long term.

2. Airlines and their payment solutions under pressure

“Airlines all over the world have never been under so much pressure as they are today as customers are demanding existing and alternative payment methods. Faced with intense competition, increasing passenger demands and expectations regarding payment methods, innovation and digitalization are now essential,” says Bob Gottinger, Head of Airline Sales, Wirecard

“Airlines all over the world have never been under so much pressure as they are today. Faced with intense competition and increasing passenger demands, innovation and digitalization are now essential,” says Bob Gottinger, Head of Airline Sales, Wirecard. According to a Bitkom study about digitalization in the aviation industry, 95 % of aviation companies see digitalization as an opportunity. At the same time, 68 % say that holding onto traditional business models hinders innovation in the industry².

The aviation industry still has enormous potential. In 2017, there were some four billion passengers worldwide³. They generated additional revenue through ancillary services of 82 billion dollars. With traditional airlines outside the United States, the share that can be attributed to on-board revenue (duty-free sales, food, preferred seating, and so on) is estimated to be around 21 %⁴. With four billion passengers, that makes \$4.20 of additional on-board revenue possible per passenger.

To tap this and other potential, however, it's decisive to create the right payment conditions, because passengers are putting pressure on airlines for the payment methods they expect. Customers must be offered what they have been demanding for a long time. Whether they're booking a flight online or shopping on-board: if passengers can't use their preferred payment method, they're far less likely to make a purchase.

Many payment options exist. From conventional credit cards and NFC payment by smartphone to digital wallets such as PayPal or payment through loyalty programs (for example, frequent-flyer miles) a suitable and user-friendly payment system must be made available to customers and integrated into existing processes. And this is a challenge that airlines must rise to.

3. Efficiency, potential, security: why airlines must drive digitalization forward

With digital payment, the focus is above all on the customers. Airlines must meet their expectations and demands to make and keep them happy, and stay ahead of the competition. In addition, airlines should pursue three more goals when they introduce of innovative payment methods:

1. Improve efficiency and comfort
2. Fully exhaust all potential
3. Increase security

We'll take a closer look at the opportunities presented by travel payment solutions below.

Efficiency and comfort

Airlines don't need to reinvent the payment wheel. Instead, it's better to turn to international experts to integrate modern payment systems for payment processing. This doesn't only offer the advantage of enabling airlines to concentrate on their core business, but it also brings with it the assurance of support from a partner who's up to speed on regulations and developments.

² Bitkom: 'Digitalisierung in der Luftfahrt', 2016.
<https://www.bitkom.org/Presse/Anhaenge-an-PIs/2016/Juni/Bitkom-Pressekonferenz-Digitalisierung-in-der-Luftfahrt-01-06-2016-Presentation-final.pdf>

³ ICAO: 'Continued passenger traffic growth and robust air cargo demand in 2017', 2018.
<https://www.icao.int/Newsroom/Pages/Continued-passenger-traffic-growth-and-robust-air-cargo-demand-in-2017.aspx>

⁴ CarTrawler Worldwide Estimate of Ancillary Revenue, 2017.
<https://www.cartrawler.com/ct/cartrawler-worldwide-estimate-of-ancillary-revenue/>

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These include local differences in payment type preferences. While in Germany, for example, direct debit remains popular, Americans love their credit cards, the Dutch prefer iDEAL, and Alipay and WeChat Pay are popular in Asia. It's not easy to keep track of and cater to new trends right away. With a payment expert like Wirecard, airlines have a partner who covers a whole host of options.

But not only are the payment methods offered to passengers relevant, airline employees can also benefit from increased ease of use and less administration work. Unexpected and enormous costs, for example, caused by unscheduled landings, can be paid for with minimum bureaucracy using a prepaid credit card handed over to the passengers at the airport. Lengthy negotiations between the airline, airport and insurance company are no longer necessary.

Potential

For airlines, the choice of payment methods offers huge potential that is there to be realized. If passengers can select their preferred payment systems, the conversion rate increases and ultimately sales opportunities do too. But that's only the beginning. By integrating data-based services, airlines get to know their passengers and their preferences and habits better and can use this information for making individual offers and creating a personalized customer experience.

Particularly in a sector such as aviation, where it's hard to establish a long-term and emotional customer relationship and not be seen as interchangeable, it's important to make a positive impression on customers. Does a customer have a favorite seat or food? This is an ideal opportunity to make him or her an individual special offer shortly before take-off, for example, for a snack or an upgrade, which can then be paid for by credit card, loyalty points, or other methods. Similarly, small gifts for premium customers or non-monetary compensation for delays increase passenger satisfaction. Airlines profit from digital loyalty programs by glean important information about buying behavior, customer history and target groups and gaining valuable feedback about their own products and services at the same time.

Security

Fraud is one of the main reasons for lost revenue for airlines. As customers are demanding more and more payment and booking methods and airlines are increasingly geared towards direct bookings, it's becoming a challenge for them to keep up with the times and provide comprehensive fraud management.

While, for example, a Phocuswright study revealed the classic credit card is accepted by 99% of airlines for direct bookings - making it by far the most widespread payment method - the risk of fraud is seen as above average at 27%.

Credit cards



99%

accept payments with classic credit cards for direct bookings

27%

see an above-average incidence of fraud

Digital wallets



62%

accept payments with online wallets such as PayPal

3%

see an above-average incidence of fraud

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Digital wallets such as PayPal or Alipay are offered much less frequently, even though just 3% of those surveyed believe they have a high fraud risk. In fact, 57% regard this payment method as having a lower than average risk⁵. Airlines must therefore offer a balanced variety of payment options for customers whilst protecting themselves against fraud and non-payment at the same time.

4. Conclusion

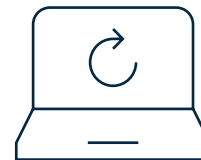
Increasing passenger numbers and growing travel expenditure combined with ever more demanding customers and fierce competition bring both opportunities and risks for airlines. To be able to keep pace with competitors and expand, airlines must analyze their payment methods, locate errors and recognize and realize potential.

The automation of payment processes, optimized reporting and sophisticated fraud management are important criteria for achieving the big goals: keeping customers satisfied, increasing efficiency, exploiting potential and maximizing security. Ultimately, all these goals intertwine when it comes to finding the optimal payment system for an airline.

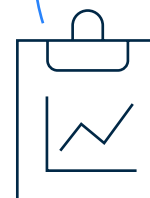
It can be extremely helpful to rely on external payment specialists. When it comes to fraud management, the Phocuswright study states that airlines have identified

Components of an ideal travel payment solution

Automated payment processes



Sophisticated fraud management



Optimized reporting

⁵ Phocuswright/Cybersource: 'Benchmark Study: 2018 Global Airline Online Fraud Management', 2018. https://www.cybersource.com/content/dam/cybersource/2018_Airline_Fraud_Report.pdf

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various difficulties: 33% say they don't have sufficient internal resources, 31% believe staying abreast of new fraud management technologies is a problem and 24% see themselves confronted with a lack of internal knowledge⁶. With a payment expert to support them, companies in the aviation industry can concentrate on their day-to-day business and will find it much easier to react to payment trends and market needs.

5. Wirecard: All-in-one payment service provider for airlines

Wirecard offers airlines tailored travel payment solutions that fit their needs exactly. Whether online, mobile or offline at the point of sale, Wirecard is the right partner for payment methods, risk management and consulting. "We speak the global airline language and see things through the eyes of the passengers," says Eckart Reiche, Vice President Global Airline Sales, Wirecard.

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Wirecard supports all the sales channels of the airlines and can connect with the most prevalent booking systems in the industry. New regulations and payment models make this field increasingly complex. It's therefore crucial to have a reliable partner to help navigate changes in the payment landscape, as well as to provide and analyze data. With more than 120 transaction currencies, interfaces to over 200 international payment networks and – above all – employees with more than 30 years' experience in all areas of the travel and airline industry, Wirecard is such a partner.

Travel payment solutions from Wirecard

Full payment service provider:

Wirecard provides a comprehensive portfolio of payment services. Thanks to a universal German bank license, we offer integrated solutions from a single source and global payment processing for offline, online and mobile sales channels. In addition, our global acquiring license for airlines allows us to provide acquiring services in more than 140 countries.

Wirecard airline team:

Our international employees have many years of experience and an in-depth knowledge of the market. Many of them have more than 30 years' experience in all areas of the travel and airline industry. In our capacity as consultants, we know the specifics of the airline industry, but also we never forget the perspective of customers and passengers.

Always one step ahead:

Wirecard is constantly evolving as a payment service provider. We react rapidly and flexibly to new market requirements and are already taking important steps today to address the challenges of tomorrow.

⁶ Phocuswright/Cybersource, 2018

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About Wirecard

Wirecard AG is a global technology group that supports companies in accepting electronic payments from all sales channels. As a leading independent supplier, the Wirecard Group offers outsourcing and white label solutions for electronic payments. A global platform bundles international payment acceptance and methods with supplementary fraud prevention solutions. With regard to the issuing of own payment instruments in the form of cards or mobile payment solutions, the Wirecard Group provides companies with an end-to-end infrastructure, including the requisite licences for card and account products.

Wirecard (GER:WDI) is one of the world's fastest growing digital platforms in the area of financial commerce. We provide both corporate clients and consumers with a constantly expanding ecosystem of real-time value-add-

ed services built around innovative digital payments by using an integrated B2B2C approach. This ecosystem concentrates on solutions in the areas payment and risk, retail and transaction banking, loyalty and coupon programs in addition to data analytics and conversion rate enhancement across all sales channels (online, mobile, ePOS). Wirecard operates regulated financial institutions in several key markets, in addition to holding issuing and acquiring licenses from all major payment and card networks. Wirecard AG is listed on the Frankfurt Stock Exchange (DAX, TecDAX, ISIN DE0007472060). Visit us on www.wirecard.com, follow us on Twitter @wirecard and on Facebook @wirecardgroup.

For further information about Wirecard solutions for the travel industry, please visit www.wirecard.com/travel or contact travel@wirecard.com.

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