

Consumer travel spend priorities 2022

How fintech is supporting industry renewal

August 2022

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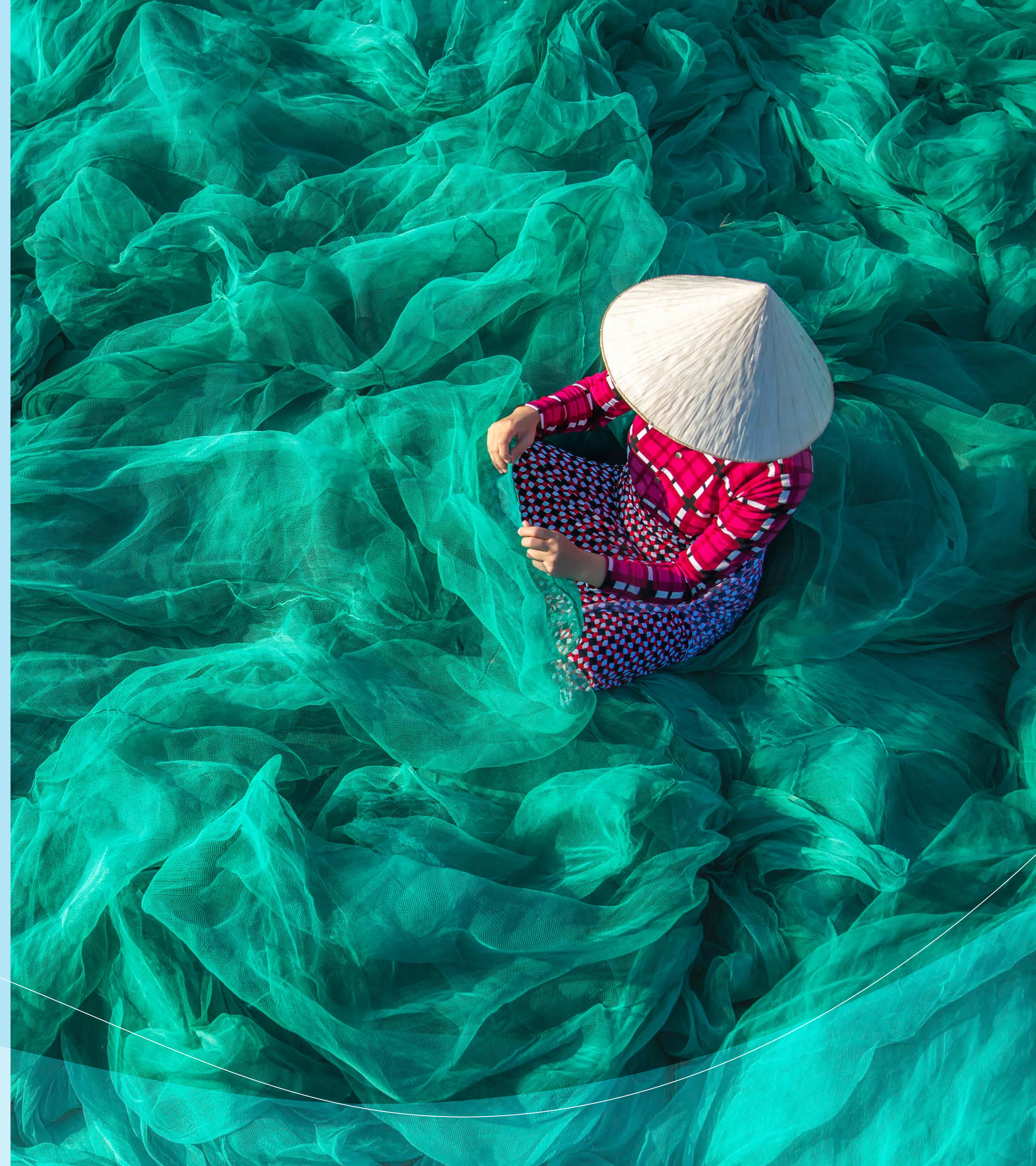
Introduction

As we enter the second half of 2022, the travel industry is experiencing a significant rebound in demand across the world. **Amadeus' latest Travel Pulse** confirmed that air travel search volumes for the first four months of 2022 were only 3% down in 2019. Searches for international travel are on the rise as demand for travel recovers in-line with the lifting of restrictions across the world.

Yet the general economic picture remains uncertain. That's why Amadeus decided to undertake its Consumer Travel Spend Priorities study, to better understand how consumers plan to spend across a range of discretionary areas, including travel.

We also wanted to understand if and how consumers might choose to take advantage of fintech options like pay-by-installment and multi-currency pricing to spread the cost of travel purchases and gain greater transparency over fees and costs involved in international travel.

Our research was carried out in June 2022 with 4,500 consumers in France, Germany, UK, US and Singapore.





Consumers prioritize travel

We asked people to rank a selection of six discretionary spend areas in terms of priority over the coming twelve months. Consumers confirmed their desire to travel despite the uncertain economic environment, with 'international travel' ranked as the highest priority from the selection of six discretionary spend areas.

42% OF RESPONDENTS SAID INTERNATIONAL TRAVEL IS A HIGH PRIORITY SPEND AREA FOR THE COMING YEAR, FAR HIGHER THAN FASHION, EATING OUT AND BIG-TICKET ITEMS LIKE HOME IMPROVEMENTS.



When asked directly where they might reduce spend, the results told a similar story. Only 27% of respondents plan to reduce travel spend over the coming twelve months due to rising prices, a far lower number than other areas of discretionary spend. Eating out at restaurants (51%), fashion / new clothes (48%) and big-ticket items like home furnishings (43%) were the primary areas consumers said they plan to economize.

On average, consumers estimate they will spend \$2,670 on international travel over the next 12 months, broadly in line with how much they estimate they spent in 2019 (\$2,780 average) – an encouraging finding for the travel industry. So why are consumers choosing to spend on travel rather than other areas?





Why people are prioritizing travel spend

When asked why they planned to prioritize spend in travel there wasn't a single reason. Rather, a collection of motivations emerged, including the fact that the past few years have been challenging (38%); Additional savings built-up during the pandemic (34%); The ability to travel to see family and friends (33%) and the end of travel restrictions (32%).

Discretionary spend area	'High priority' for coming 12 months
The past few years have been challenging and I need a holiday	38% <div></div>
Additional savings built-up during the pandemic	34% <div></div>
The ability to travel to see family & friends	33% <div></div>
The lifting of travel restrictions	33% <div></div>

The view that the desire to travel is broad-based mirrors anecdotal trends Amadeus is seeing across its business as the leisure travel recovery accelerates. We noted that even during times of travel restrictions, **the desire to travel to visit family remained strong** and industry data from ground transport aggregator Bookaway Group shows that **lifting restrictions has an immediate positive impact on demand for travel.**

The company's data shows that bookings for buses and ferries in Thailand responded directly to the country completely removing remaining travel restrictions from 01 July 2022.

For Thailand, the number of tickets sold by Bookaway Group has climbed every month this year since the announcement was first made; March volumes were 61% up on February, April was up 23% on March, with May up 4% on April.





How installment payments can support higher-value travel choices

Despite the comparatively positive overall picture for travel, the study does suggest some travelers are likely to economize by choosing lower cost hotels, flights or destinations due to cost of living pressures. Our data shows that roughly half of travelers are 'more likely' to economize in some way when they travel in the next twelve months, as a means of ensuring they can take that much needed holiday. That might be a small saving, like not choosing fast track security or it could be a bigger change, like selecting a less expensive destination.

This trend prompts the question about how the travel industry can respond by reducing unnecessary costs and offering flexible payment options that enable travelers to choose higher value services. This is where new payment and fintech options can help.

In Amadeus' previous research on flexible payment options, we found that offering travelers 'Buy Now Pay Later' options can dramatically increase upselling. **In fact, when polled last year,** 68% of 5,000 travelers confirmed that a BNPL option would encourage them to spend more on their holiday and 49% said they would be more likely to purchase an ancillary service, like extra legroom or a meal, when paying with BNPL.





Demand for flexible payment is on the rise

With consumers willing to forego purchases like a new car or home furnishings, it’s clear that the desire to travel is strong. In this context, travelers told us they are open to new fintech options that offer greater flexibility when paying.

Three quarters of respondents (75%) said they are more likely to choose a pay-by-installment option like ‘Buy Now Pay Later’ to fund travel over the coming year due to the economic uncertainty. This is compared to 44% that are more likely to use a credit card, and 26% that are more likely to turn to payday loans, which typically incur high interest rates.

Flexible payment option	‘More likely’ to use this in the coming 12 months
Pay in installments	75% <div></div>
Credit card	44% <div></div>
Payday loan	26% <div></div>
Personal loan	24% <div></div>

Buy Now Pay Later (BNPL) is already a major payment method across retail. By carrying out a rapid risk scoring of the customer, a merchant (or its BNPL provider) can decide to extend a line of credit, so the customer pays in several installments. For travelers, BNPL is a very smooth experience that's quicker and easier than filling in a traditional data entry form when paying by card.

A recent study by Klarna found that **60% of Americans have used BNPL** and they were choosing to do so more frequently. Separate research from travel specialist analyst house Atmosphere Research found that **four in ten travelers it surveyed confirmed BNPL 'allowed' them to take their latest trip.**

As well as installment payment options our data also highlighted that consumers are willing to fund trips in more inventive ways, with 47% saying they planned to use previously collected loyalty points to fund trips over the next twelve months. Similarly, 49% said they are now more likely to hunt out cobranded credit cards that yield loyalty points when they do travel, suggesting fintech and loyalty strategies are more relevant than ever for the industry.



Consumers value transparency

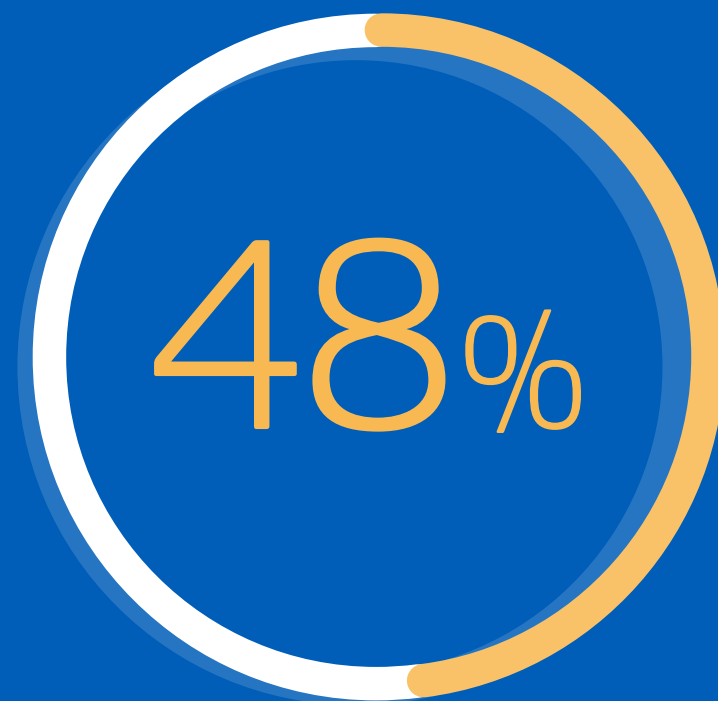
Travelers don't just want to spread the cost of travel. They also want to fully understand and manage the costs involved too, specifically our data suggests a renewed focus on Foreign Exchange (FX) costs.

73% of travelers say they are more likely to pay attention to FX fees and costs associated with international travel due to the current pressures on household budgets. This is a remarkably high figure that underlines the opportunity for travel providers to play a more active role in FX.

Today, few travel providers offer Multi-Currency Pricing (MCP) options to travelers that allow them to pay in their currency of choice, instead travelers are presented with a default currency and must undertake a manual conversion to fully understand the price.

Yet our Consumer Travel Spend Priorities 2022 research found that 56% of travelers are more likely to choose a travel provider that lets them pay in their own currency, with transparent FX fees. We know from our own newly launched FX Box solution (now live with six airlines) that demand for MCP is strong. Roughly 30% of travelers across those six carriers choose to opt for MCP, which typically reduces FX fees for travelers whilst helping the travel provider benefit from the FX business. In fact, airlines using the service can double the profitability of a typical fare on a cross-currency booking.

Fintech savvy travelers also appear more willing to try new consumer payment services. 48% of travelers said they are now more likely to try pre-paid debit cards that hold multiple currencies, to avoid FX fees when paying abroad. Such consumer pre-paid cards have been available for several years, but current economic uncertainty combined with a desire to travel, appears to be a tipping point for adoption.



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Concluding remarks

During this period of economic uncertainty consumers appear determined to travel, driven by a desire to ‘take a break’, visit family and friends and to tap into additional savings that some people have collected during the pandemic.

With such services making up an outsized profit contribution for providers, it's time to be flexible where possible. New payment options like BNPL can help during this period by offering travelers the flexibility to trade-up to a higher value flight, hotel or holiday.

Fintech options like pay-by-installment and Multi-Currency Pricing are potential quick wins that airlines and travel agents can embed within their existing digital experiences. They deliver on the immediate needs of consumers by either saving them money or helping them fund travel with more flexibility.

While there is a degree of economic uncertainty, the respondents to this study, no matter where they are based, are clear that the desire to travel is strong. Travel appears to be the number one priority and is expected to outperform other areas of discretionary spending for the next twelve months.

About the research:

The research was conducted by independent research firm Opinium during June 2022 with 4,500 consumers from France, Germany, U.K., U.S. and Singapore.

About Amadeus

Travel powers progress. Amadeus powers travel. Amadeus’ solutions connect travelers to the journeys they want through travel agents, search engines, tour operators, airlines, airports, hotels, cars and railways.

We have developed our technology in partnership with the travel industry for over 30 years. We combine a deep understanding of how people travel with the ability to design and deliver the most complex, trusted, critical systems our customers need. We help connect over 1.6 billion people a year to local travel providers in over 190 countries.

We are one company, with a global mindset and a local presence wherever our customers need us. Our purpose is to shape the future of travel. We are passionate in our pursuit of better technology that makes better journeys.

Amadeus is an IBEX 35 company, listed on the Spanish Stock Exchange under AMS.MC. The company is also part of the EuroStoxx50 and has been recognized by the Dow Jones Sustainability Index for the last eight years.

To find out more about Amadeus, visit www.amadeus.com

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