

RESEARCH

Mobile payments lag in travel sector, tablets still a big driver

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Mobile payments an opportunity in the travel sector

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While 32 percent of overall online payments were made on a mobile device in the first quarter of 2016, in the travel sector, the share drops to 15 percent, pointing to an opportunity to extend the reach of smartphones in the travel experience, according to a new report from Adyen.

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The report, Mobile Payments Index 2016: Travel Edition, reveals that accommodation services see 17 percent of volume on mobile devices while airlines see just 13 percent. Tablets remain a significant factor in driving booking in the travel industry.

"The travel industry is seeing significantly fewer browser-based payments happen on mobile devices than other industries," said Kamran Zaki, president of North America at Adyen.

"Among airline and accommodation merchants on the Adyen platform, an average of only 15 percent of online payments take place on a mobile device, compared to over 30 percent across all verticals," he said.

"As the world is increasingly going mobile, this shows there is a tremendous opportunity for travel marketers, and if companies dedicate the time and resources to creating a first class mobile payment experience, there is a chance to get ahead of the curve and really stand out amongst the competition."

Transaction values

In terms of average transaction value, the iPad leads among mobile devices with more than \$365 for accommodation services and \$325 for airlines. Android devices follow with \$290 and \$266, respectively. The findings suggest that travelers still prefer larger screens when making higher-value purchases.

By sector, airlines have done a good job of integrating mobile into the passenger experience with the ability to check in and store boarding passes on smartphones.

While airlines see a relatively small number of tickets actually purchased on mobile, it is important to keep in the typically high transaction value of airlines tickets. iPads are still a big driver of mobile purchases for airlines.

Screen Shot 2016-05-02 at 4.14.51 PM

"Outside of the pure volume of payments that take place on mobile, it was interesting that airline customers in particular are far more likely to book flights on a tablet than on a smartphone," Mr. Zaki said. "This is an inversion of our overall mobile payments breakdown, as in general we see smartphone purchases far outweigh tablet purchases in terms of volume."

Airlines lift off

Some airlines are beginning to make inroads into mobile payments. KLM enables passengers to complete a purchase on Twitter.

Transavia now sees 20 percent of payments happening on mobile thanks to its scalable Web sites and use of Whatsapp as a service channel.

SAS enables customers to store preferred payment methods to enable faster booking and supports digital wallets.

Screen Shot 2016-05-02 at 4.15.28 PM

Looking ahead, the next innovation in airlines could be using an app for purchases made on a plane such as food and drink. The idea would be to enable airlines to centralize all transactions, from flight booking to seat upgrades and on-board purchases.

The share of mobile payments for accommodation services is expected to pick up significantly this year as hotels prioritize mobile payments in order to keep up with mobile-first companies such as HotelTonight and booking.com. Accommodation services will increasingly look to mobile payments to expand upon loyalty and up-selling opportunities that already include browsing, booking, check-in and ordering room service.

Competitive advantage

Tablets currently lead when it comes to booking accommodations, but this is likely to change as payment experiences become better on smaller screens. As HotelTonight exemplifies, key factors for smartphone users include simplicity, speed and contextual awareness.

When considering device type, accommodation services see an even split in mobile payment transactions between smartphones and tablets. However, airlines see a much bigger share of transactions coming from tablets compared to smartphones.

Looking across industries, the iPhone and Android phones are increasing their share of online payments at a similar rate, according to Adyen.

Tablet payments continue to decline, with the iPad's share dropping below 8 percent for the first time.

However, the iPad is on par with desktop in terms of global transaction value, leading other online platforms.

"Mobile travel bookings are predicted to rise by 22 percent, and this again speaks to the opportunity in the space," Mr. Zaki said. "By focusing on making both in-app and browser-based mobile payments as frictionless and easy as possible, hotel and airline companies can set themselves up to improve the customer experience capture market share."

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