



Carpe Diem: What airline leaders need to know to seize the AFP opportunity

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It's hard to believe it's been over two decades since AFPs (Alternative Forms of Payment) came onto the global financial scene. It didn't take airline payment leaders long to see the value of AFPs as a way to reach markets or customer segments that don't fall under the majority umbrella of "international card users." However, as a YOY trend, airline adoption of AFPs progressed relatively slowly due to perceived high implementation costs and lack of customer demand to justify the business case. As recently as 2020, 82% of airlines surveyed cited "lack of proven customer demand" as a reason not to adopt certain AFPs.¹

But guess what? None of that history is relevant today.

The COVID-19 crisis has accelerated digital commerce including traveler demand for AFPs - beyond what anyone could have predicted just two years ago.

Consider these astonishing facts:

- Two-thirds of consumers worldwide believe that COVID-19 has precipitated a fundamental shift in their payment preferences and encouraged greater use of contactless payments.²
- 59% of consumers now use at least one type of digital payment service.³
- In 2021, AFPs exceeded cards in terms of total transactions worldwide.⁴
- 77% of global e-commerce purchases are made with a local payment method.⁵

Airline leaders today face massive competitive pressure to innovate and close gaps in their payment strategy so that they may rise to this moment. If they get it right, their actions will increase revenue, accelerate speed to market, improve customer experience, and grow cost savings.

The time of opportunity has most certainly arrived

Carpe diem!

¹ AFPs in the Airline sector, State of the Industry, 2020, UATP and Edgar, Dunn & Co.

² Forbes, Why The Post-Pandemic Payments Future Is Digital, Dec 2021

³ Forbes, Why The Post-Pandemic Payments Future Is Digital, Dec 2021

⁴ 2021 Worldpay Global Payment Report

⁵ PPRO research confirms local payment methods will dominate as cross-border e-commerce grows

Just like that: AFPs became the new normal

Given the popularity of non-card, digital payments, it's fair to question why AFPs still carry the label "Alternative." Without a doubt, these new payment forms have gone mainstream.

Four trends that show evidence of the exponential growth of AFPs:
Open Banking, Buy Now Pay Later (BNPL), Digital Wallets, and Mobile Payments

A brief snapshot of each is below.

 OPEN BANKING	Direct account transfers; instant verification; no cards	In the Netherlands, 60% of online purchases are through the iDeal online banking system¹
 BNPL	Interest-free installment payments; no traditional application or card	Credited for 30% increase in sales; Without this option, 10% of buyers won't buy (Projected to be 4.5% of global volume by 2025)²
 DIGITAL WALLETS	Digital front end, e.g. QR, Apple Pay, Google Pay, Alipay, WeChat	Projected to grow to 4 billion in 2024, double from 2 billion in 2019³
 MOBILE BANKING	Contactless payments using mobile device	48% of travelers purchased using mobile device in 2021, followed by 30% using laptop or desktop⁴

While the exact mix will vary by geography, target market, and customer segment, it is safe to say that any customer payment strategy should consider each of these payment methods plus local FOP preferences.

Looking to the future, we can expect cryptocurrency and CBDCs (Central Bank Digital Currencies) to emerge as a fifth disruptive new form of payment. Crypto presents a low-risk option for merchants, as the merchant never needs to bear the risk of holding the asset, and chargebacks typically are not allowed.

¹ 2021 Worldpay Global Payment Report

² McKinsey 2021 Digital Payments Survey

³ McKinsey 2021 Global Payments Report

⁴ Pwc Future of Payments 2021

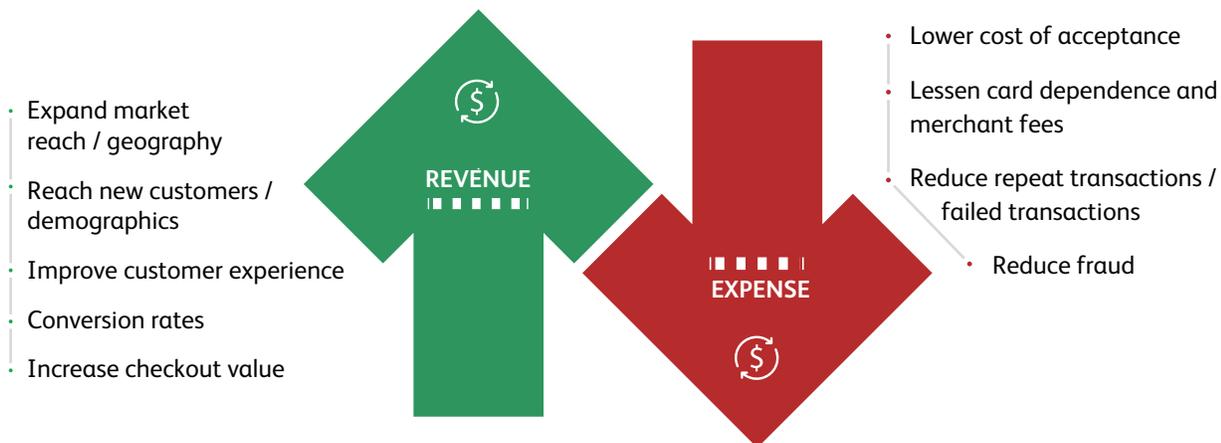
The AFP business case: compelling on both sides of the P&L

Airlines today face extreme and unprecedented challenges to reclaim and grow competitive position in the post-pandemic recovery.

- Pressures to quickly enter new markets are tempered by the need to keep costs in check.
- Unlike in the past, attracting new customer segments requires simultaneous innovation of both the airline's offer and its payments strategy. In today's world, the FOP is part of the offer: without the right AFP, the airline risks a lower total purchase amount or, at worst, complete shopping cart abandonment.

With so much at stake, airline executives must design strategies that effectively balance cost and risk while offering a real opportunity to reach new markets/customers and increase revenue per passenger. The business case for AFPs is one such example.

AFPs offer substantial benefits for both sides of the P&L (Revenue and Expense). They are both a cost-saving tactic and an offering that customers across many markets demand, as illustrated below:



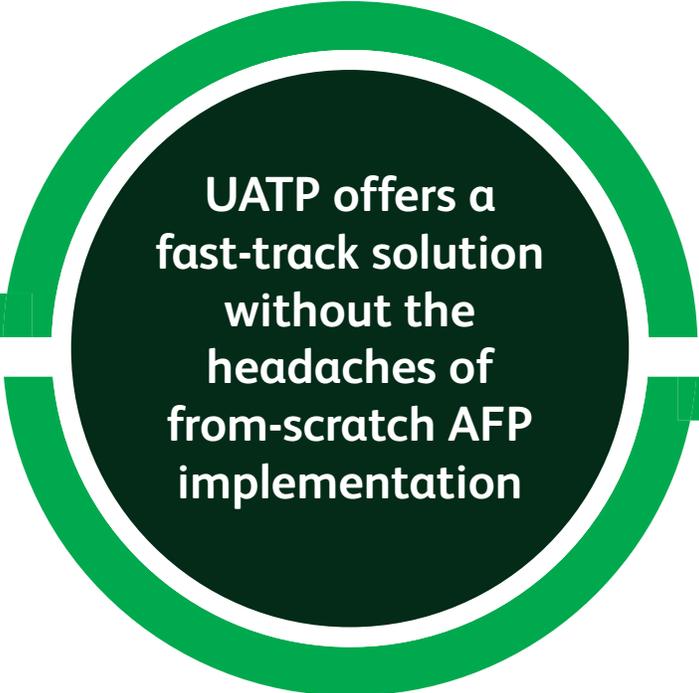
The above points focus on the ongoing benefit of AFPs. In addition, airlines striving to implement AFPs must minimize upfront implementation costs and find ways for seamless, easy integration into accounting processes. That is the subject of our next section.

Fast-track AFP implementation with the right partner

Airline adoption of AFPs has historically been slow due to high costs and project headaches often associated with introducing non-traditional payment processes. These include:

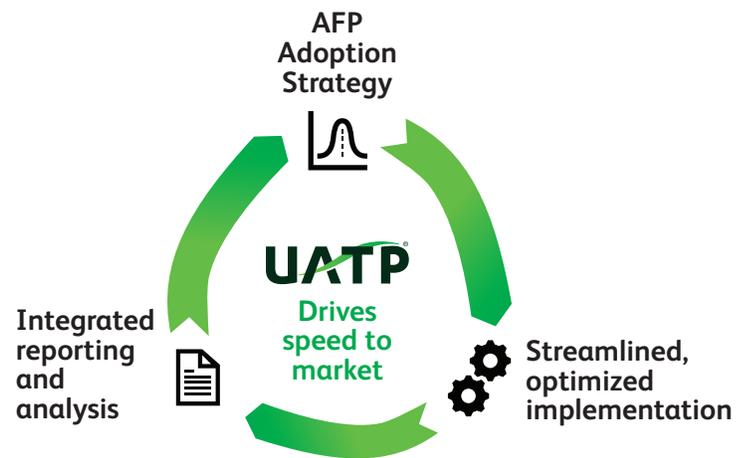
- **Back office system limitations** - most back-office systems are not engineered to support non-traditional payment methods. Custom integration drives up project timelines and capital outlay.
- **Accounting reconciliation challenges** - non-traditional payment transactions can require vastly different accounting procedures. Addressing this can cost both resources and frustration.
- **Digital/website enhancements** - a core tenet of the AFP value proposition is the capability to offer local payment methods preferred in a particular geography or local market, or demographic. Mobile and online applications must be flexible and intelligent enough to present the correct payment flow (including localized AFP choices) depending on the customer, geography, and other variables. Time and resources are required to identify, build, and test these use cases.
- **IT/Infrastructure adjustments** - like with any new system, IT must be involved and address any impacts to infrastructure, workflows, and other internal systems. Even if the effect is small, tackling AFPs can seem like "one more project" for internal teams to take on.

In 2022, delaying AFP adoption due to these challenges is no longer a viable option. With customer demand for AFPs growing exponentially, airlines cannot afford to wait! Fortunately, an alternative path exists through partnership with UATP.



**UATP offers a
fast-track solution
without the
headaches of
from-scratch AFP
implementation**

UATP helps airlines streamline AFP implementation using existing connections and technologies, in support of a unified payments strategy



Airlines that partner with UATP benefit from strategic consultation and technical solutions that:

- Enable faster speed to market at lower cost through the use of existing connections
- Streamline back-office reconciliation, including reconciliation reports
- Deliver a consistent customer experience with minimal website/digital changes. Customers follow familiar procedures to access AFPs via the airline website
- Support a unified payment approach to optimize and integrate traditional and alternative forms of payments across local, regional and global markets

Seize your opportunity to expand market reach and lower costs

The past two years served up a combined Reset and Fast Forward capability - almost like time travel - for innovation and digital commerce, including airline payments. Never have we witnessed such an opportunity for airline leaders to bring about positive change that delights both customers and boardrooms alike. Don't miss this moment!

UATP is a global corporate travel payment solution owned and operated by the world's airlines. The network consists of major airlines and travel management companies (TMCs) that issue charge cards accepted by thousands of merchants around the world for air, rail and travel agency payments. Corporations worldwide use UATP cards to purchase and track travel. UATP offers easy-to-use data tools, DataMine[®] and DataStream[®], which provide comprehensive account details for accurate travel management.

UATP also connects airlines to Alternative Forms of Payment which can expand reach and generate incremental sales globally. UATP's alternative forms of payment partners include Alipay, BitPay, CellPoint Digital, Citcon, EBANX, Fly Now Pay Later, GiroSolution, Givex, Nuvei, PayPal, Paysafe, PayU, SafetyPay, SVS, Trustly, and Uplift. UATP has partnered with WEX which will allow UATP corporate account holders to pay for hotel stays through, PAXVIA, the WEX Virtual Credit Card Solution (VCC).

UATP also offers PSP services, UATP One Merchant Services, helping airlines optimize payment processing, enrich the client experience and lower transaction costs.

The logo for UATP features the letters 'UATP' in a bold, white, sans-serif font. A green swoosh underline is positioned beneath the letters, starting under the 'U' and ending under the 'P'. A small registered trademark symbol (®) is located at the top right of the 'P'.

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