Alternative Forms of Payment - everything you need to know but were afraid to ask!

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Agenda

• AFPs: What are they, and why are they important?
• AFP Timeline: So how did we get here?
• Global/Regional AFP Trends
• Key Characteristics of Future AFPs
• Summary:
  • Key Takeaways for Airline Merchants
  • UATP’s AFP Solution
What is an AFP?

Why are AFPs Important?
What is an AFP? Why are AFPs Important?

• **Alternative Form of Payment** = payments not running on a global credit card network

• Numerous types of AFPs

<table>
<thead>
<tr>
<th>Type</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Bank Transfer</td>
<td>GiroSolution</td>
</tr>
<tr>
<td>Offline Bank Transfer</td>
<td>SafetyPay</td>
</tr>
<tr>
<td>E-wallet</td>
<td>PayPal, Alipay</td>
</tr>
<tr>
<td>Pre-paid</td>
<td>Wirecard, Givex</td>
</tr>
<tr>
<td>Invoice/ Installment (without CC)</td>
<td>Uplift</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Debit</td>
<td>SEPA</td>
</tr>
<tr>
<td>Local Card Scheme</td>
<td>China UnionPay, Latitude</td>
</tr>
<tr>
<td>Post-Paid</td>
<td>Boleto Bancario</td>
</tr>
<tr>
<td>Mobile</td>
<td>Apple Pay</td>
</tr>
<tr>
<td>Digital Currency</td>
<td>Bitcoin</td>
</tr>
</tbody>
</table>

• Exponential growth in AFP utilization

• Certain areas have limited credit card penetration

• Millennials are leading the AFP adoption – Generation Z is even more tech savvy
AFPs are Key to Supporting the Digital Channel

Key benefits of implementing local/alternative payment methods for merchants

- Access to new markets & customers: 3.78
- Higher conversion rates: 3.53
- Trusted buying process: 2.85
- Language & currency localization: 2.63
- Reduced reliance on existing payment services: 2.47

Key benefits of implementing local/alternative payment methods for consumers

- Simplified shopping/checkout experience: 3.16
- Increased trust & confidence in security: 2.67
- Access to more products & services: 2.18
- Local support in native language: 2.09

Source: Edgar, Dunn & Company – 12th Advanced Payment Report 2018
AFPs Play a Key Role in Travel Retail

• Considerations:
  • Destinations by Region
  • % ASKs by country
  • Demographics of the countries in which you are selling
  • The right AFP partner
    • Direct vs. aggregator approach
    • Commercial and technical implications
    • Wallet support
    • UX integration
AFP Timeline

So how did we get here?
Payments Overview: Global Landscape

• Consolidation of the Payments Market
• Fragmentation of the Payments Market
• Displacement of Credit Cards

**Key Takeaway:** Changing customer needs/behaviors in an increasingly cashless world will continually change the payments landscape.

Source: The Strawhecker Group, TSG eReport: Payments Industry 101
Consolidation of the Payments Market

Key Takeaway: Customers lose visibility to their payment choices as innovations push transactions to default card.

Source: The Strawhecker Group, TSG eReport: Payments Industry 101
Fragmentation of the Payments Market

Key Takeaway: Successful deployment of wallets drives proliferation of niche and merchant issued cards.

Source: The Strawhecker Group, TSG eReport: Payments Industry 101
Key Takeaway: Customers use innovative AFPS such as financing schemes or payment options that seamlessly link to bank accounts.

Source: The Strawhecker Group, TSG eReport: Payments Industry 101
Payments Timeline

PayPal Founded 1998
Google Wallet 2011
Bitcoin v0.1 released 2009
Apple Pay 2014

2019 & Beyond

Key Takeaway: Technology will continue to be a key driver of change in the payments ecosystem.
Key Takeaway: Merchants need to optimize for change.

Source: The Strawhecker Group, TSG eReport: Payments Industry 301
AFP Trends Globally
And in Various Regions
Payment Trends: Global e/m Commerce

**2018**
- eWallet: 36%
- Credit Card: 23%
- Debit Card: 12%
- Bank Transfer: 11%
- Charge & Deferred Debt Card: 11%
- COD: 8%
- Other: 5%

**2022 (estimate)**
- eWallet: 48%
- Credit Card: 18%
- Debit Card: 11%
- Bank Transfer: 11%
- Charge & Deferred Debt Card: 11%
- COD: 6%
- Other: 3%

Other = PrePaid, PostPaid, E-Invoicing, and other Emerging Technologies

Source: Worldpay Global Payments Report 2018
North America e/m Commerce

2018

- Credit Card: 35%
- eWallet: 21%
- Debit Card: 20%
- Charge & Deferred Debt Card: 13%
- Bank Transfer: 6%
- Pre-paid: 4%
- Other: 1%

2022 (estimate)

- Credit Card: 27%
- eWallet: 34%
- Debit Card: 19%
- Charge & Deferred Debt Card: 11%
- Bank Transfer: 5%
- COD: 2%
- Pre-paid: 2%
- Other: 2%

Other = eInvoices, PostPaid, and other Emerging Technologies

Source: Worldpay Global Payments Report 2018
Latin America e/m Commerce

2018

- Credit Card: 44%
- eWallet: 3%
- Debit Card: 8%
- Bank Transfer: 10%
- Post-Paid: 9%
- Charge & Deferred Debt Card: 7%
- COD: 15%
- Pre-Paid: 6%
- Other: 4%

2022 (estimate)

- Credit Card: 29%
- eWallet: 18%
- Debit Card: 16%
- Bank Transfer: 8%
- Post-Paid: 14%
- Charge & Deferred Debt Card: 7%
- COD: 16%
- Pre-Paid: 18%
- Other: 2%

Other = eInvoices and other Emerging Technologies

Source: Worldpay Global Payments Report 2018
EMEA e/m Commerce

2018

- eWallet: 21%
- Credit Card: 7%
- Debit Card: 16%
- Bank Transfer: 20%
- Charge & Deferred Debt Card: 3%
- COD: 3%
- eInvoices: 3%
- Other: 10%

2022 (estimate)

- eWallet: 23%
- Credit Card: 10%
- Debit Card: 17%
- Bank Transfer: 14%
- Charge & Deferred Debt Card: 20%
- COD: 17%
- eInvoices: 7%
- Other: 2%

Other = PrePaid, PostPaid, and other Emerging Technologies

Source: Worldpay Global Payments Report 2018
Asia-Pacific e/m Commerce

2018

- eWallet: 53%
- Credit Card: 18%
- Bank Transfer: 12%
- Debit Card: 5%
- COD: 4%
- Charge & Deferred Debt Card: 4%
- Post-Paid: 2%
- Pre-Paid: 2%

Other: PrePaid, PostPaid, and other Emerging Technologies

Source: Worldpay Global Payments Report 2018

2022 (estimate)

- eWallet: 67%
- Credit Card: 11%
- Bank Transfer: 11%
- Debit Card: 3%
- COD: 2%
- Charge & Deferred Debt Card: 2%
- Post-Paid: 1%
- Pre-Paid: 2%

Other: PrePaid, PostPaid, and other Emerging Technologies
Key Characteristics of Future AFPs
Key Characteristics of AFP Innovations

Key Takeaway: AFP Innovations will leverage mobile and connectivity to make payments simpler and add more value.

Source: The Strawhecker Group, TSG eReport: Payments Industry 201
Key Characteristics of AFPs

- **Cashless**
- **Data-Driven**
- **Back of Mind**
- **Increased Access to Loans**
- **Engagement**
- **Reduced Costs**

**Key Takeaway:** Innovations will make payments more cashless and invisible, while enabling data-driven engagement platforms for customers.
Travel Vertical is Complex and Requires Customization

*Installment payments are common for large or retail purchases; travel has lagged*

- Distribution
- Dynamic pricing
- Experience focused
- Perishable good
- Packaging
- Platform sales
- Co-brand franchises
- Travel specific knowledge
- Risk averse leadership
- Global franchises
- Legacy tech stacks

Source: Uplift
State of Travel Marketing Today

Look to Book is a Stubborn Problem

How it works...

AIRLINES, OTAs AND OTHERS INVESTED TO SOLVE THE LOOKING PROBLEM

BUT CONVERSION REMAINS STUBBORNLY LOW

DATA SHOW THAT THE PROBLEM IS IN PAYING, NOT SHOPPING.

> 20% OF TOP OF FUNNEL CONSUMERS SHOW INTEREST IN FINANCING TRAVEL AND ALTERNATE PAYMENT METHODS

Source: Uplift
Summary: Key Takeaways

UATP’s AFP Solution

Airline Travel Payment Summit, 2019, #ATPS
Key Takeaways for Airline Merchants

• CHANGE:
  • Changing customer needs/behaviors will continually change the payments landscape and the proliferation of AFPs.
  • Technology will continue to be a key driver of change in the AFP ecosystem.
  • Merchants need to optimize for change and new AFPs.

• INNOVATION:
  • AFP Innovations will leverage mobile and connectivity to make payments simpler and add more value.
  • Innovations will make payments more cashless and invisible, while enabling data-driven engagement platforms for customers.

• UATP and our Partners are key resources for managing this CHANGE and keeping up with INNOVATION.
UATP’s Processing Business

• Alternative Forms of Payment (AFP) Processing
  • Connecting airlines with important payment brands like PayPal, Alipay & 300+ others
  • Over 10 years of experience processing AFPs for airlines
  • US$ 3 Billion
UATP’s Global Coverage

Unlimited AFP Options via Partners

Apple Pay
- China, Singapore, Malaysia, Europe, Americas & Middle East

Amex Express Checkout
- USA & Australia

Visa Checkout
- China, India, Singapore, Europe, Middle East & Americas

Masterpass
- Africa, Americas, Asia, Europe, Middle East & Oceania

Mobile Pay
- Europe

Chase Pay
- USA

Africa, Americas, Asia, Europe, Middle East & Oceania
- Africa, Americas, Asia, Europe, WeChat Pay
- 170 countries and all continents
- Europe
- Africa, Americas, Asia & Europe
- Australia & New Zealand
- Middle East & Oceania

Alipay
- WeChat Pay
- Union Pay
- Trustly
- Qiwi
- POLi
- PayPal
Benefits of AFP Acceptance via UATP

- Simplifies Integration and Processing
- Automatized; No Manual Refunds
- Simplifies Daily Reconciliation
- Global Coverage

<table>
<thead>
<tr>
<th>Description</th>
<th>Transaction Gross</th>
<th>AFP fees</th>
<th>Transaction Net</th>
<th>Transaction Count</th>
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<tbody>
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<td>Debits</td>
<td>180745.37</td>
<td>-2375.63</td>
<td>178369.74</td>
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<td>Credits</td>
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<tr>
<td>Total ATC/AC Transactions</td>
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<td>Chargebacks</td>
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<tr>
<td>Previously Pending</td>
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<td>Total Transfer to Merchant</td>
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<td>Pending Transactions</td>
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<td>Non-settled Reversals</td>
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THANK YOU, QA?

THANK YOU
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