

PhocusWire[?]

Powered by Phocuswright

PhocusWire White Paper
November 2022



HOW TRAVEL FINTECH CAN BOOST REVENUE

Sponsored by:  hopper | CLOUD

Written by
Cathy Walsh



Impressum

How travel fintech can boost revenue

A PhocusWire Report sponsored by Hopper Cloud.

Author: Cathy Walsh

Published in 2022 by PhocusWire. We are a brand of Phocuswright, a wholly owned subsidiary of Northstar Travel Media, LLC.

© 2022 PhocusWire

All Rights Reserved.

[PhocusWire.com](https://www.phocuswire.com)



Contents

Introduction	4
Travel's new normal	5
Enter travel fintech	8
A no-brainer for airlines, hotels, car rental providers and more	9
Traveler attitudes toward fintech services	10
Why Hopper?	11
Conclusion	12

Introduction

More than two years after lockdowns brought travel to a halt worldwide, travel demand is surging. But cancellations, delays and staffing shortages continue to plague travel operations, creating stress for travelers. For travel companies pushing to regain and expand their market share in the current chaotic environment, travel fintech offers a compelling solution.

Fintech products that enable travelers to freeze prices, change/cancel reservations and easily rebook disrupted flights address a core market need. Travelers are willing

to pay for the added confidence – and suppliers reap the benefits of more direct bookings and a new revenue stream. Through cloud solutions such as [Hopper Cloud](#), all travel companies, including hotels and airlines, now have the ability to seamlessly distribute flexibility products to consumers.

Travel fintech is perfectly aligned to the present moment, and the offering is rapidly becoming a must-have for travel companies seeking to capitalize on the current travel demand, while simultaneously delighting customers.



Travel's new normal

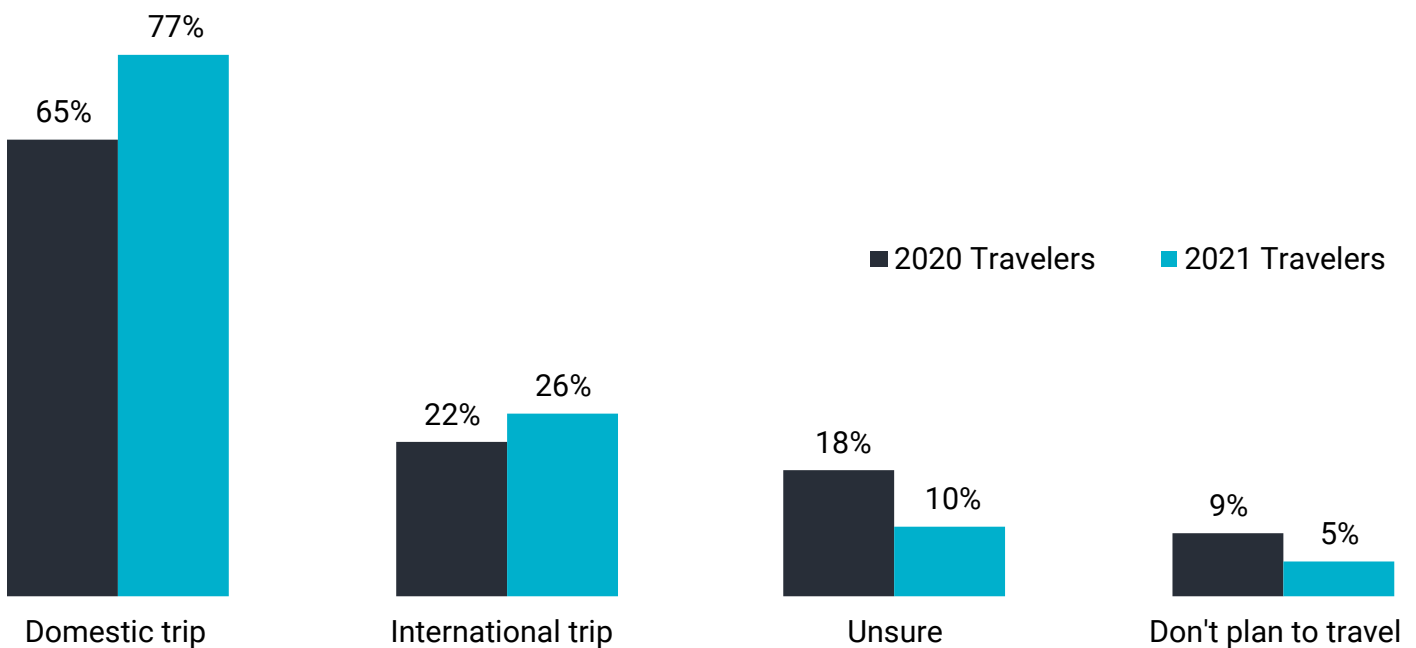
Amid widespread vaccine availability and waning travel restrictions, travelers are finally indulging in long-awaited leisure travel.

According to Phocuswright's U.S. Consumer Travel Report 2022, more than three in four U.S. travelers (77%) indicated plans to take a leisure trip in the next twelve months (i.e., through mid-2023), up from 65% the previous year (see Figure 1). International travel demand is also recovering, albeit more slowly, with 26% of U.S. travelers planning an international trip during the same time period.

While the intention to travel is strong, travelers and travel companies have faced an array of challenges as they try to resume business – or leisure – as usual. Employee shortages in the wake of layoffs, supply chain issues, strikes and weather delays are creating chaos throughout the travel industry.

From June 15 to July 15, 2022, 20 to 30% of U.S. flights were delayed, resulting in disruptions to thousands of travel plans (see Figure 2). In June 2022, as the summer travel season began, 8% of U.S. flights were canceled on a single day, according to Hopper, including more than one-third of flights out of New York's LaGuardia Airport. By the end of the summer, one in four U.S. flights was being disrupted.

Figure 1: Future Travel Intentions of U.S. Travelers

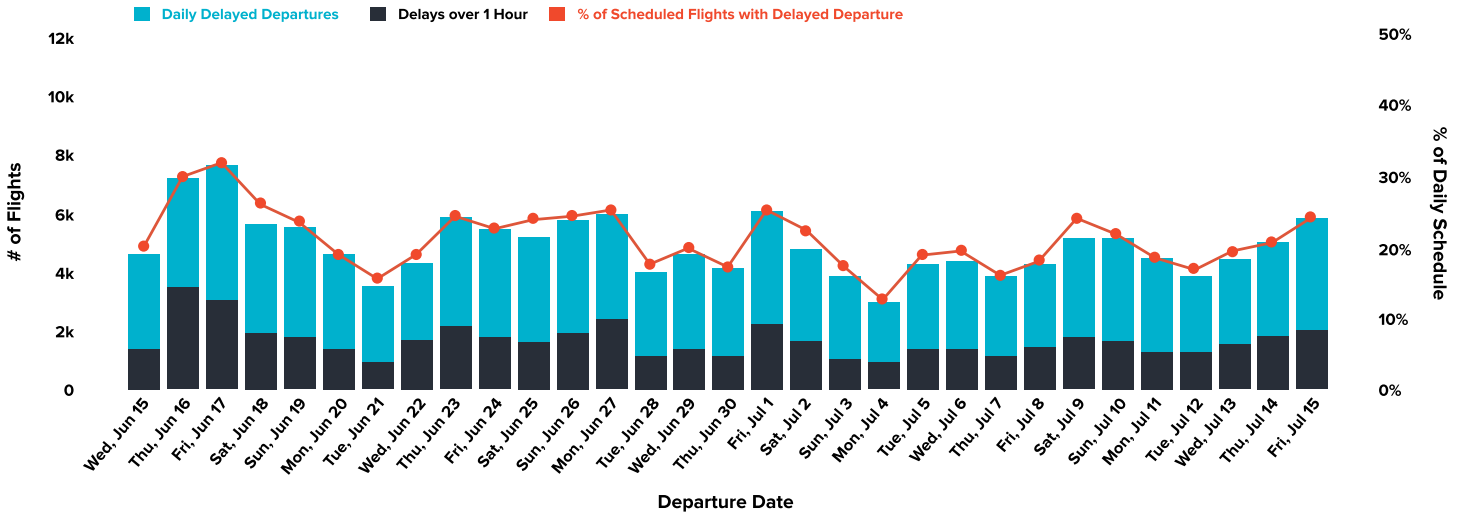


Question: What types of leisure trip(s) do you plan to take in the next 12 months? Select all that apply.

Base: U.S. Travelers (2020 N=1,521; 2021 N=2,158)

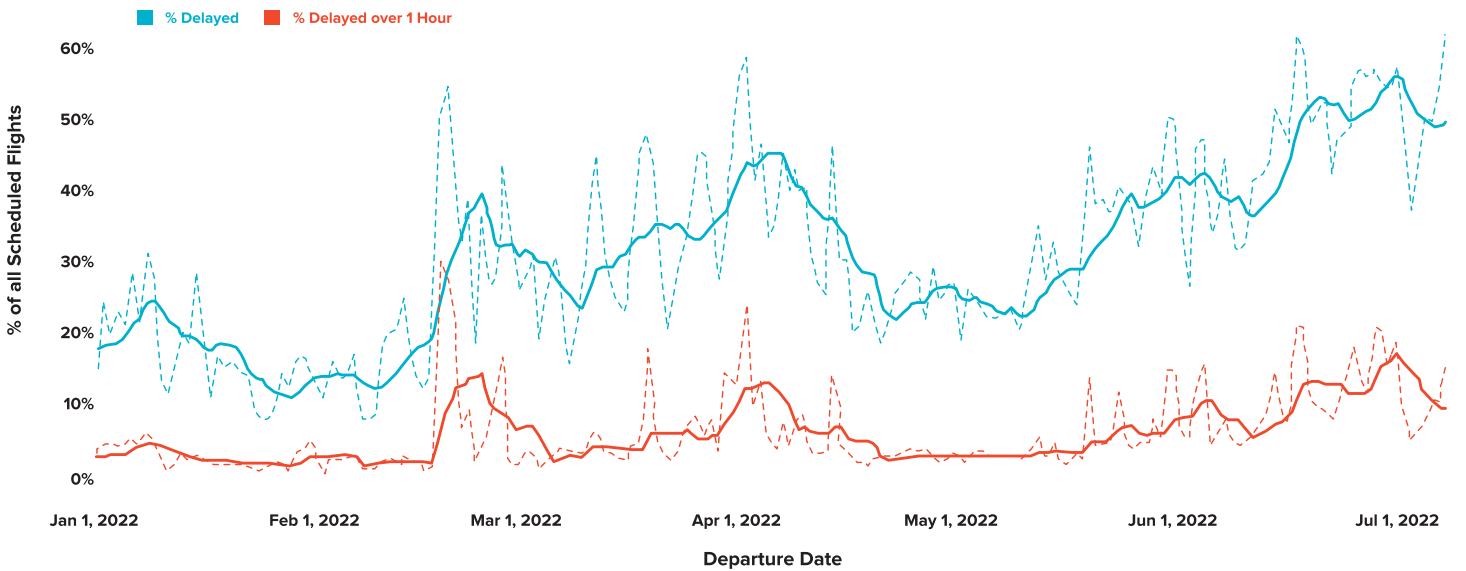
Source: Phocuswright's U.S. Consumer Travel Report 2022

Figure 2: U.S. Daily Flight Delays



Source: OAG

Figure 3: Flight Delays from London Heathrow



Source: OAG

Across the pond, disruptions also surged at London's Heathrow Airport, where more than half of departing flights were delayed in early July (see Figure 3). Major airlines have cited staffing issues, including pilot shortages, as a key concern.

Recovery challenges, however, are not limited to the airline sector. A survey of more than 500 hoteliers by the American Hotel & Lodging Association indicated that **97% of hotels** are short-staffed, with nearly half (49%) experiencing a severe staffing shortage. For car rental companies, vehicle supply chain disruption has limited availability and led to soaring prices. These prices are expected to remain high until new car availability improves.

Travel companies continue to face a wide range of challenges as they struggle to scale services to meet travel demand. Trip disruptions and price volatility are having a measurable impact on the travel experience and, increasingly, are impacting travel planning.

While airline performance has improved since early summer 2022, consumer complaints about air travel service are nearly **270% above** pre-pandemic levels, according to the U.S. Department of Transportation. Further, more than six in 10 U.S. travelers (62%) agree/strongly agree that unexpected delays and trip disruptions are a key concern when planning travel now (see Figure 4).

Figure 4: A majority of travelers are concerned about delays and interruptions to their trips



Question: Please rate how much you agree or disagree with each of the following statements. Select one for each.

Base: U.S. travelers (N=2,158)

Source: Phocuswright's *U.S. Consumer Travel Report 2022*

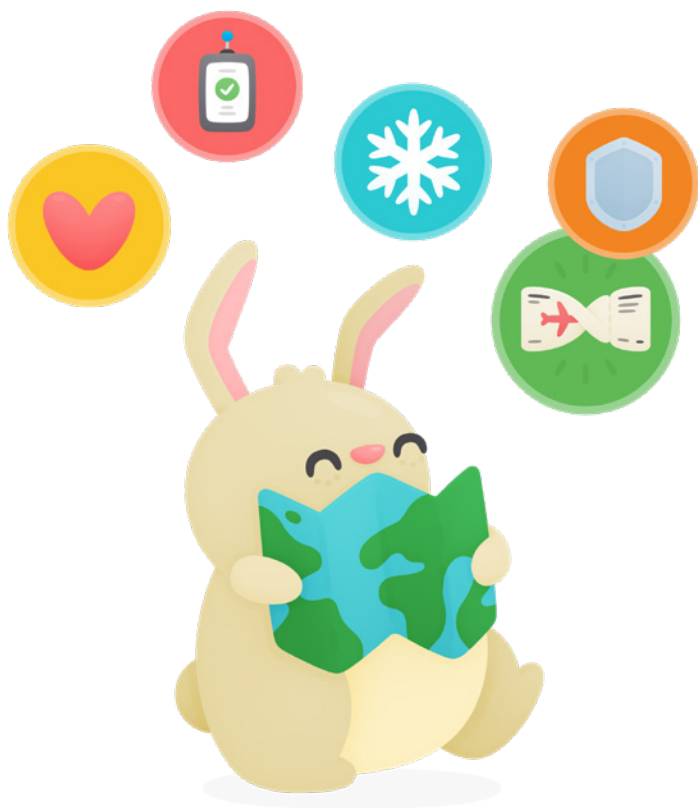
This uncertainty can lead travelers to hesitate at the point of sale, causing travel sellers to miss out on potential bookings. Some travelers, wary of heavily publicized travel

disruptions, could choose to forego travel altogether. Travel fintech can address all of these concerns, providing travelers with the peace of mind they need to hit the buy button.

Enter travel fintech

From pricing volatility and flight delays to trip cancellation and subpar lodging, where there's a travel problem, travel fintech offers a solution. Depending on a traveler's specific needs and concerns, there is likely a product available to provide added assurance. Below are some of the key challenges travel fintech can address for travelers:

Pricing volatility: With inflation impacting hotel and flight prices, travelers are now facing price volatility across segments. Hopper's [Price Freeze](#) product (currently available for flights, hotels and car rentals) allows travelers to freeze prices for a set amount of time, giving them more time to plan. If the price goes down, travelers pay the lower rate, but if it goes up, Hopper pays the difference up to a certain amount. Price Freeze has been so popular that some travelers are even using it as a buy now, pay later method giving themselves more time to save up for their trip.



Traveler-initiated change/cancellation: There is much discussion about airlines delaying or canceling flights, but disruption is not limited to travel companies. Travelers also sometimes need to change or cancel their travel itinerary, and this need has become increasingly common during the pandemic recovery period (late-breaking COVID infection, anyone?). Hopper offers travelers the ability to change their flight (including date, time and airline) or cancel their flight for any reason up until the time of departure with no additional fee. Travelers who purchase the [Cancel for Any Reason or Change for Any Reason](#) service can cancel or change their flight or hotel and receive a refund of 80 to 100% immediately in the app.

Flight disruption: When a flight is delayed by the airline or a connection is missed, the change can wreak havoc on travel plans. Hopper's [Flight Disruption Guarantee](#) allows travelers to rebook the next flight to their destination on any airline at no additional cost – all within the app. Instead of standing in a long line at the dreaded airline counter, travelers can be rebooked and on their way with just a few taps.

Desire to switch lodging: From cleanliness concerns to the impacts of understaffing, the pandemic era has made lodging selection a make-or-break element of trip planning. Hopper's lodging switch service, called [Leave for Any Reason](#), reduces the pressure. If a traveler is unhappy with their lodging after check-in, they can switch to a nearby hotel of the same star category at no extra cost.

Legacy rebooking: Historically, canceling or rebooking a trip following a disruption has been a frustrating process involving long lines and hold times. These fintech products, however, enable travelers to make the needed changes directly in the Hopper app in seconds, oftentimes without having to speak to a travel agent directly.

A no-brainer for airlines, hotels, car rental providers and more



The spectrum of travel fintech offerings is likely to expand to address more traveler pain points. But beyond the relief for travelers, travel fintech is highly beneficial to travel brands – i.e. hotels, airlines and car rental providers – as well. By addressing traveler needs, these protective services can boost customers' perceptions of the travel experience and the brand itself.

In the current economic environment, with inflation impacting markets worldwide, many travelers are focused on finding a great deal. Where travelers may currently hesitate to book due to pricing concerns or fear of disruptions, giving them the option to protect against price volatility, changes and/or cancellations can provide the confidence needed to proceed with booking. Addressing these barriers can allow brands to capture more direct bookings, increase brand loyalty and provide an edge over competitors.

Beyond these benefits, travel fintech can help travel brands generate an entirely new source of income. For decades, all companies that sell travel have been fighting for their slice of the same travel pie. Travel fintech adds to that pie in a unique way, monetizing the planning process to create an additional revenue stream. These products can offer airlines, hotels and car rental providers the ability to sell new products outside their existing inventory that customers love.

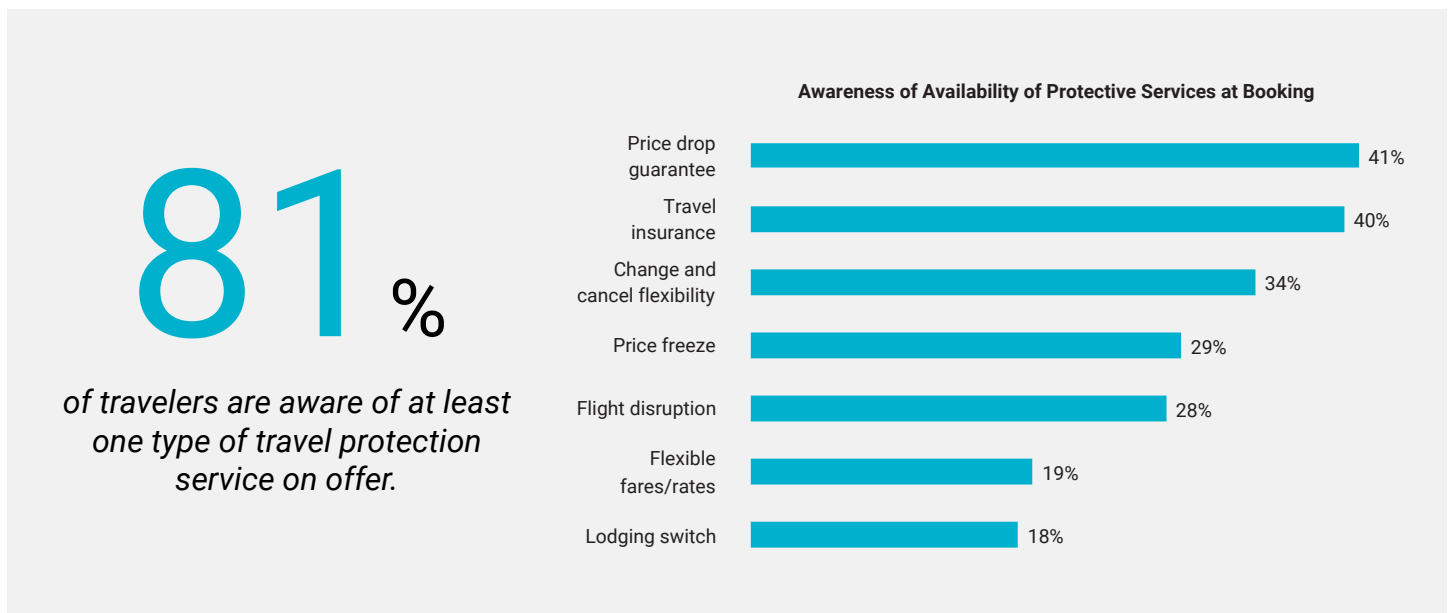
It's important to note that fintech can also save money for businesses post-booking – these data-driven products rely heavily on automation and transparency, leading to less inbound customer support requests and ultimately more cost savings. With Cancel for Any Reason, for example, travelers can rebook through an automated process, never needing to speak with an agent on the phone or in-person.

Traveler attitudes toward fintech services

Travel demand for fintech services has grown with the rise of modern, on-demand travel protection options. More than eight in 10 U.S. travelers (81%) are aware of at least one type of travel protection service (see Figure 5). Awareness of individual services at the point of purchase varies.

Price drop guarantee and travel insurance are the most-recognized services, with roughly four in 10 travelers aware of each. A smaller but substantial share of travelers are aware of change/cancel flexibility (34%), price freeze (29%) and flight disruption protection (28%), while awareness of lodging switch is least common.

Figure 5: Awareness of Availability of Protective Services at Booking



Question: Companies offer various types of trip or price protection guarantees for an additional fee when you book travel. Which of the following types of protective travel services are you aware of? Select all that apply.

Base: U.S. travelers (N=2,158)

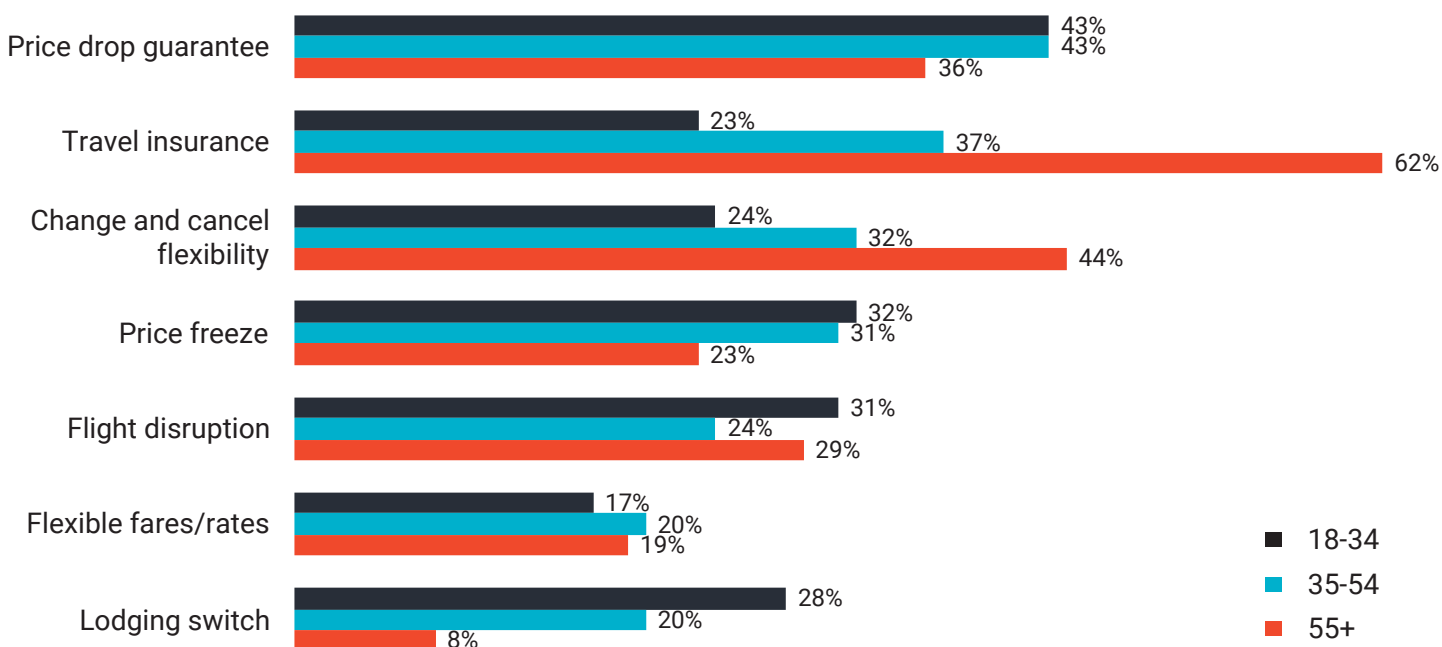
Source: Phocuswright's U.S. Consumer Travel Report 2022

There is significant variation in awareness of fintech services by age. Younger travelers (under 55) are more likely to be aware of price drop guarantees, price freeze and lodging switch (see Figure 6). Travelers 55 and older are significantly more likely to be familiar with travel insurance.

Notably, where awareness is strong, so is likelihood to purchase (see Figure 7). For example, flight disruption awareness among travelers ages 18 to 35 is 31%, and 35%

of travelers in the same age group indicate they would be likely to purchase flight disruption protection services for less than \$50. Similarly, 48% of travelers under 55 are aware of lodging switch services, and 49% of the same age group is likely to spend \$50 to secure the ability to change lodging if needed. This trend illustrates that fintech services address key traveler pain points – when travelers are aware of these services, many are willing to pay for them.

Figure 6: Awareness of Availability of Protective Services at Booking, by Age



Question Hop1: Companies offer various types of trip or price protection guarantees for an additional fee when you book travel. Which of the following types of protective travel services are you aware of? Select all that apply.

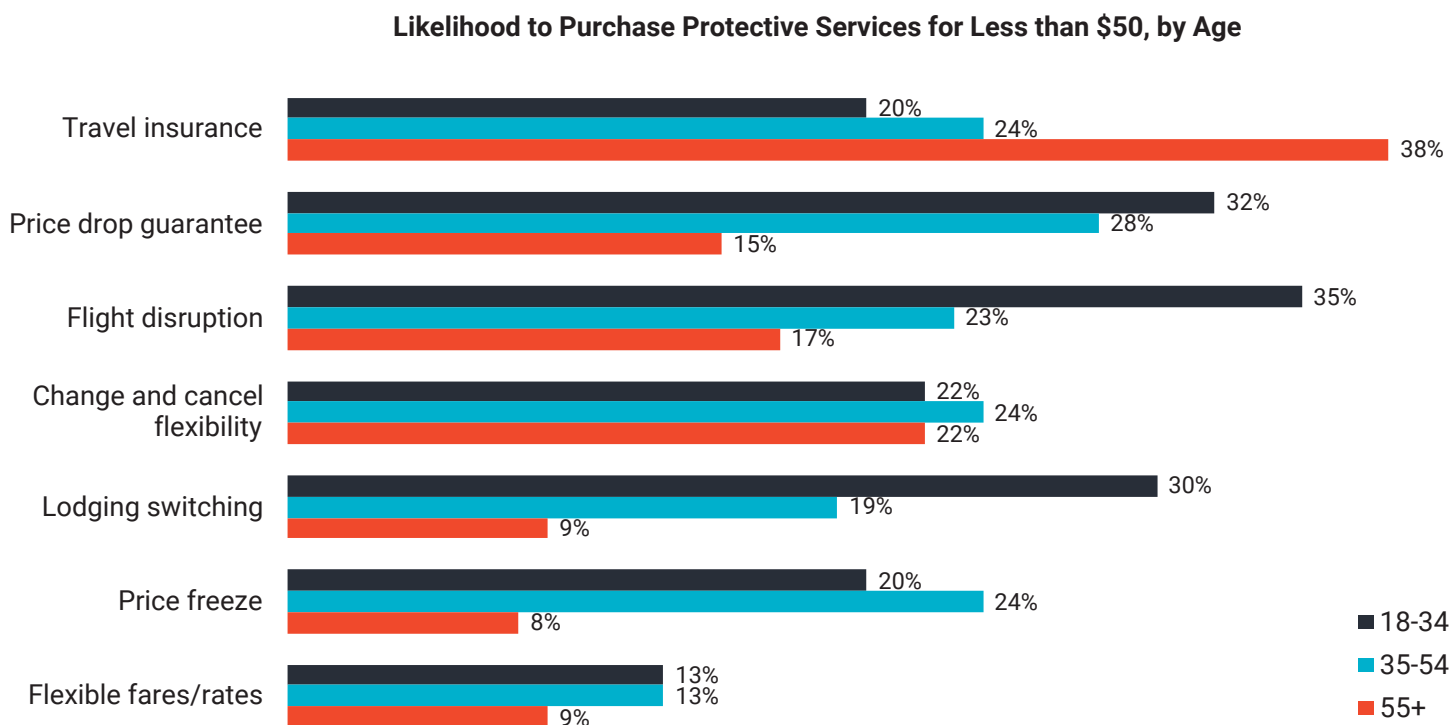
Base: U.S. travelers (N=2,158)

Source: Phocuswright's U.S. Consumer Travel Report 2022

Notably, where awareness is strong, so is likelihood to purchase (see Figure 7). For example, flight disruption awareness among travelers ages 18 to 35 is 31%, and 35% of travelers in the same age group indicate they would be likely to purchase flight disruption protection services for less than \$50. Similarly, 48% of travelers under 55 are

aware of lodging switch services, and 49% of the same age group is likely to spend \$50 to secure the ability to change lodging if needed. This trend illustrates that fintech services address key traveler pain points – when travelers are aware of these services, many are willing to pay for them.

Figure 7: Likelihood to Purchase Protective Services for Less than \$50, by Age



Question: Which would you be likely to purchase for future trips for a fee of \$50 or less? Select all that apply.

Base: U.S. travelers (N=2,158)

Source: Phocuswright's *U.S. Consumer Travel Report 2022*

Travelers want peace of mind, and most are willing to spend money to get it – yielding a potential increase in average order value for travel sellers who implement protective services. Given widespread traveler concern about delays and interruptions to their trips, it is not surprising that nearly seven in 10 travelers (68%) say they are likely to purchase at least one travel protective service for a fee of \$50 or less.

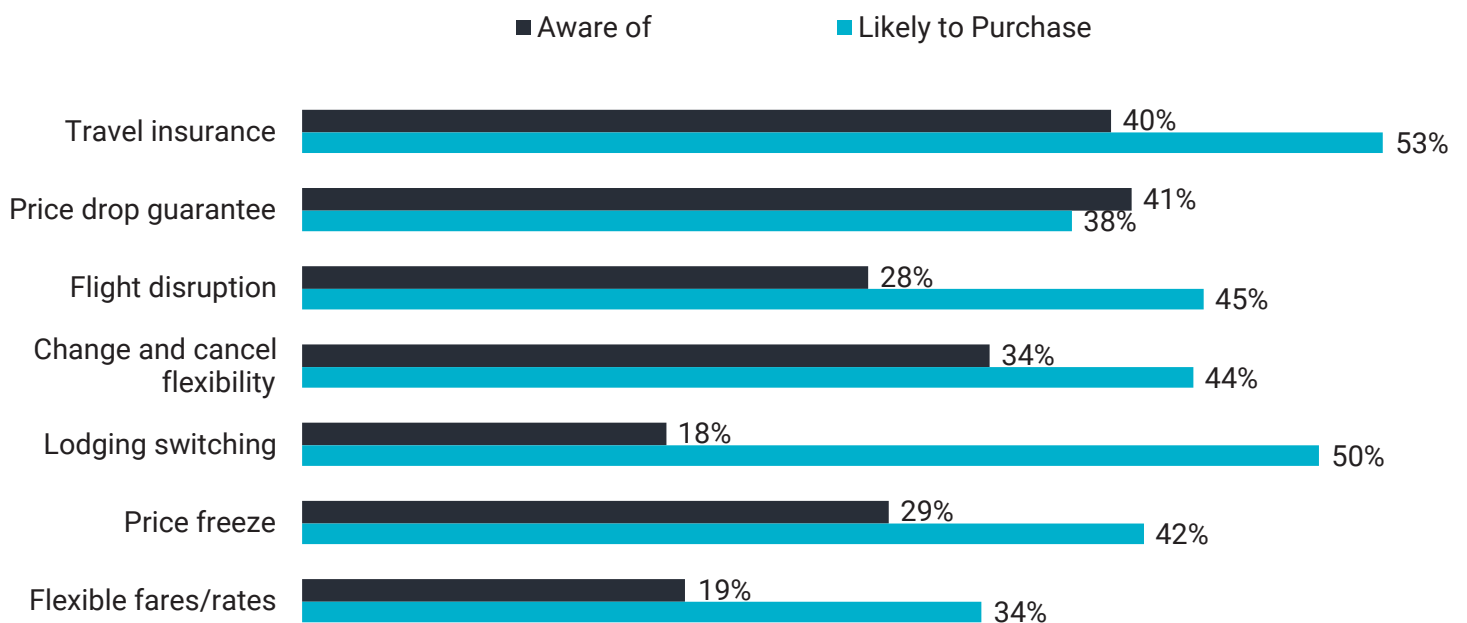
Hopper's own data backs this up – Hopper's fintech products increase travel Average Order Value by 10% or more on average. This means that if a booking is \$400, customers are dropping an additional \$40-plus per travel booking.

Some of the most appealing services have limited awareness, suggesting that there remains significant growth potential for travel fintech services as they become more widespread. Lodging switching, for example, has relatively low awareness at 18% of U.S. travelers (see Figure 8).

Among those who are aware, however, half indicate they would be likely to purchase. Similarly, just 28% of U.S. travelers are aware of flight disruption services, but 45% of those who are aware are likely to purchase. This pattern indicates that increasing awareness of these products and distributing among a larger user base will create a lucrative opportunity for travel sellers.



Figure 8: Protective Services: Awareness vs. Likelihood to Purchase if Aware of Protect Services



Question Hop1/Hop2: Which of the following types of protective travel services are you aware of?

Which would you be likely to purchase for future trips for a fee of \$50 or less? Select all that apply.

Base: U.S. travelers (N=2,158); Travelers who are aware of travel insurance (N=872); Price drop guarantee (N=882); Flight disruption (N=604);

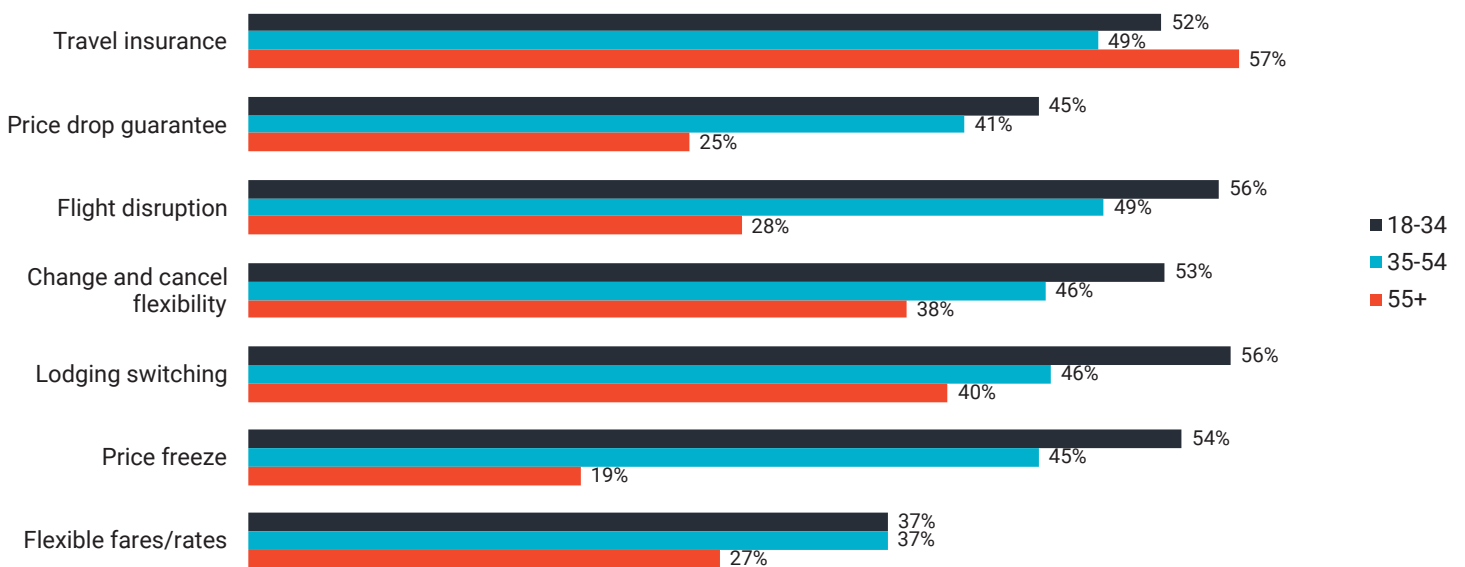
Change and cancel flexibility (N=723); Lodging switching (N=399); Price freeze (N=616); Flexible fares or rates (N=403)

Source: Phocuswright's U.S. Consumer Travel Report 2022

Among travelers who are aware of travel fintech services, younger travelers show a higher intent to purchase (see Figure 9). Among travelers aged 18 to 34 who are aware of the services, more than half are likely to purchase flight disruption (56%), lodging switching (56%), price freeze services (54%) and change/cancel flexibility (53%), respectively. Travelers age 55-plus are more likely to purchase travel insurance over other fintech services, even when they are aware of them.

To meet the needs of the travelers across demographics, travel brands should tailor these products to their specific audience. A brand might feature fintech services like lodging switching prominently for younger travelers, while maintaining access to travel insurance for older travelers who may be more comfortable with legacy options. As part of its Hopper Cloud business, Hopper is helping travel brands understand how to target travel fintech services to their customers.

Figure 9: Likelihood to Purchase Protective Service Among Those Who Are Aware, by Age



Question Hop1/Hop2: Which of the following types of protective travel services are you aware of? Which would you be likely to purchase for future trips for a fee of \$50 or less? Select all that apply.

Base: U.S. travelers (N varies by service and age group)

Source: Phocuswright's *U.S. Consumer Travel Report 2022*

Why Hopper?

Hopper has built its brand on the ability to leverage massive troves of travel data to predict future prices. Both Hopper's popular travel booking app and fintech products are built atop an extensive database of historical flight data spanning over eight years. The company has access to more than 50 billion new price points a month, and trillions of archived prices.

Utilizing its AI-driven dynamic pricing models, Hopper has refined the art of price prediction. Over the past two years, the company has leveraged its AI technology to develop a collection of innovative fintech products. Using its machine-learning algorithms, Hopper is able to rapidly adjust to market changes in real time, enabling the company to offer fintech products that would be costly and time consuming for other travel companies to build.

Hopper's fintech products have proved to be wildly popular. Fintech offerings including Price Freeze and Flight Disruption Guarantee now collectively represent roughly 40% of total app revenue and nearly half of the users of the Hopper travel app purchase at least one fintech product when making a booking.

Additionally, travelers who purchase these products are likely to do so again: a previous purchaser is between 2.5 to 7 times more likely to purchase the product again when it is offered. The financial implications are substantial. As previously mentioned, Hopper's fintech products increase average order value by 10% or more, yielding an additional \$40-plus per travel booking.

In Q1 '21, Hopper launched [Hopper Cloud](#) to enable any travel provider (e.g., airlines, hotels, online travel agencies, banks, metasearch companies, travel agencies) to integrate and seamlessly distribute Hopper's fintech or travel agency content. The integration is simple for travel companies and, because Hopper takes on all financial risk, travel companies have moved quickly to take advantage of the opportunity.



Hopper Cloud customers include big names like Capital One Travel, Amadeus and Travelport, with many more in the pipeline.

In addition to its fintech and travel agency content, Hopper offers white-label travel portals, and Capital One chose Hopper to [co-develop and power Capital One Travel](#), a new travel portal for cardholders. Among the products implemented is Price Freeze, which enables travelers to lock in a price for a set time for a small fee. According to Matt Knise, managing vice president of U.S. Card at Capital One, "A lot changed for travelers in the past two years, and we found that the things that really matter to our customers have shifted – in addition to great rewards, customers seek out flexibility and the confidence that they are receiving the best deal."

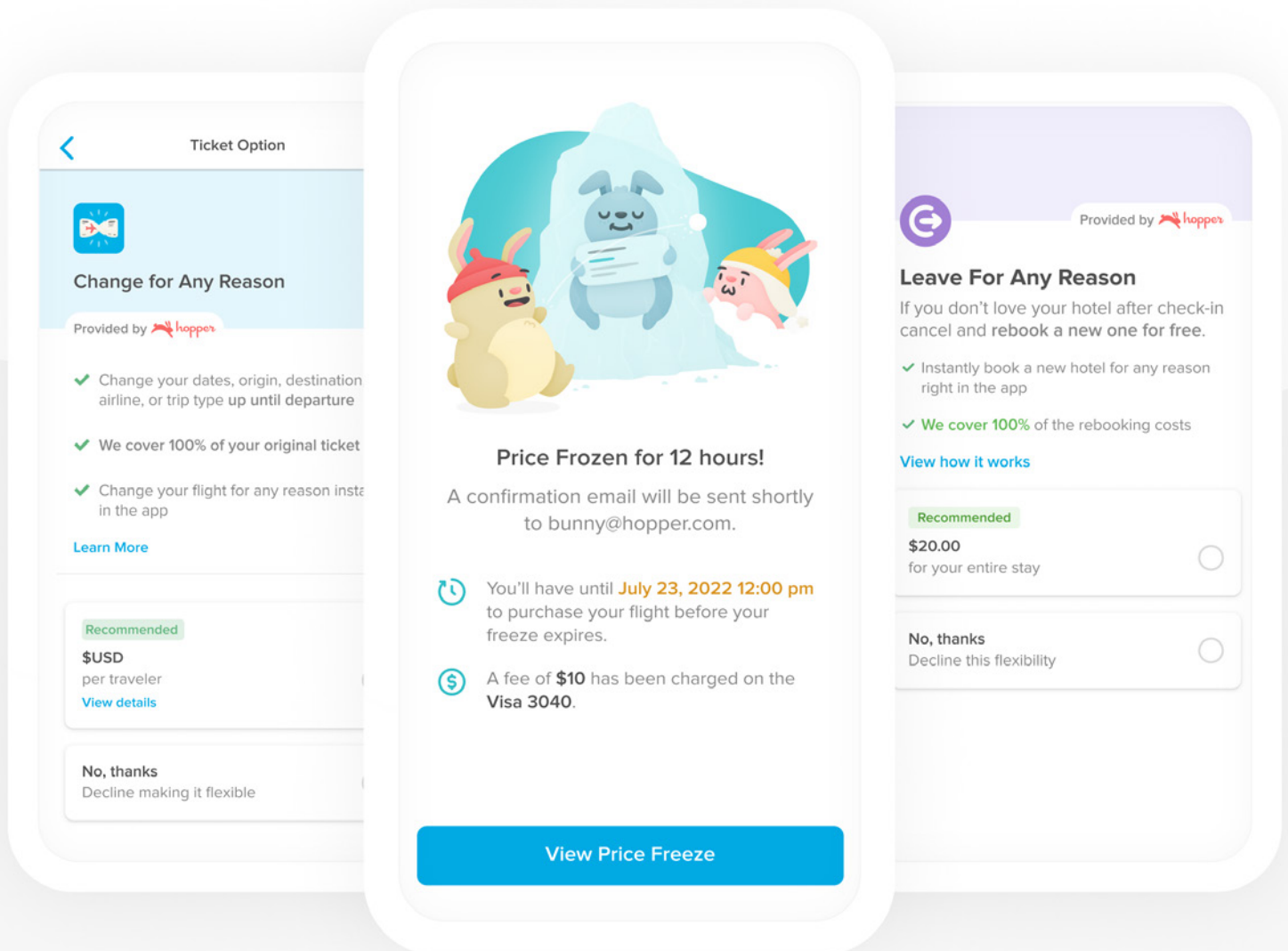
Conclusion

As travel companies navigate the recovery period, flexible travel products can provide travelers with the reassurance needed to book with confidence.

Travel fintech products that protect against price volatility and disruptions provide a win-win for both travelers, travel sellers and direct suppliers. In addition to addressing traveler pain points, these products represent a new travel

revenue stream with the potential to increase customer spend – a rare opportunity in the travel space.

As awareness and adoption of fintech products grows, travelers increasingly will expect the option to lock in prices and gain peace of mind. The travel companies who provide it are more likely to thrive in the post-COVID environment.





PhocusWire[®]

Powered by Phocuswright

About PhocusWire

PhocusWire is a comprehensive daily news companion for the industry, powered by Phocuswright, the most respected travel research authority and events brand in the world.

With an existing arsenal of deep, research-driven assets at its disposal, only PhocusWire provides daily exposure to sought-after research, valuable industry data and expert analysis.

Technology and distribution form the backbone of travel, tourism and hospitality, the planet's largest industry.

At PhocusWire we cover, analyze and debate the most important industry developments.

www.phocuswire.com

hopper | CLOUD

About Hopper Cloud

Hopper is the world's fastest-growing mobile-first travel marketplace, providing flights, hotels, homes and rental cars. By leveraging massive amounts of data and machine learning, the company has developed several unique fintech solutions that help customers save money and travel better. Through its B2B initiative, Hopper Cloud, the company is syndicating its fintech solutions, infrastructure, and agency content. Whether it's pricing volatility or trip disruptions, Hopper's proprietary suite of fintech solutions address every pain point in the customer journey while driving conversion, repeat purchases, and profitability.

cloud.hopper.com