

Why Financial Institutions Must Capitalize on the **Travel Boom**



arrivia

Introduction

The verdict is in, and the **travel boom** is not just approaching; it is officially here.

The travel and tourism industry increased a whopping 64.4% in 2021, according to the most recent statistics from the Travel and Tourism Satellite Account (TTSA) of the U.S. Bureau of Economic Analysis (BEA) — the most significant expansion since the BEA began measuring these statistics in 1998.¹

The most visible spike in actual output levels can be attributed to travel arrangement and reservation services, up 93% in the past 12 months. Passenger air transportation grew by an astounding 64.8% in the same time frame, with scenic transportation services up 83.8%.²

Even automotive rental and leasing services have skyrocketed more than 20% in the past year, indicating that American consumers are not only on the move but are truly prioritizing travel.³ As it turns out, these consumers do not plan on slowing down their travel plans any time soon.





A recent survey of American travelers revealed that **80% plan to travel more** or about the same amount this year, with another **80% planning trips strictly for leisure**.⁴ These statistics can explain why all tourism industries have recently raised their level of direct employment by nearly 40%.⁵

American travelers — and businesses — are capitalizing on the travel boom. Are you?

Financial institutions are the most primed business verticals to take advantage of increased consumer travel preferences. However, many organizations, including banks, credit unions, and other financial service providers, have yet to recognize the unique growth opportunities that await.

For many financial institutions, prospective fraud, cybersecurity risks, and potential challenges in selecting a travel loyalty solution or travel vendor have overshadowed the benefits of catering to the travel boom. Unfortunately, **your customers will not wait** for you to catch up.





Now is the time for financial institutions to leverage the consumer demand for travel-related opportunities and provide tailored products and services that add value to their customers, drive ongoing loyalty, and reduce churn...because if you do not, another competitor certainly will.

Discover how to capitalize on the current travel boom to unlock business advantages, including:

- Garnering the market opportunity for business growth.
- Earning a competitive advantage with travel-related perks.
- Fulfilling consumer needs and limiting customer churn.
- Navigating potential barriers to travel-related services.





Maximize the Current Market Opportunity

The travel market is continuing its upward trajectory in 2023 and beyond. As rates of international tourism increased by 182% in the first three months of the year,⁶ travelers on American soil have increased the actual output of domestic passenger air transportation services to \$131.55 billion.⁷

For financial institutions, the spike in travel and tourism as a commodity signals a clear market opportunity. From travel rewards credit cards and travel insurance to foreign currency exchange services, numerous channels exist to create consumer-focused, travel-based products.

The most promising opportunities for most financial institutions, especially banks and credit unions, are travel loyalty rewards programs. Travel loyalty rewards programs provide loyal banking customers exclusive access to travel-related perks, such as redeeming points while traveling.





Earning points on travel is ‘extremely important’ to 50% of travelers.⁸ Another 49% put a premium on being able to redeem points when traveling, including 59% of Millennials,⁹ the age group that recently surpassed Baby Boomers as the nation’s largest living adult generation.¹⁰

Just how relevant are travel loyalty rewards to financial institutions? Well, 25% of consumers use a loyalty program membership, such as a monetary reward program, to receive a discount through a travel provider, and another 23% use their loyalty member status to get an upgrade or other perks.¹¹

With 1 in every 10 travelers booking an exclusive travel product or service unavailable anywhere other than through their current loyalty program, it’s clear that the market is ripe for opportunity.¹² Fortunately, there are several ways for financial institutions to get involved with travel benefits.





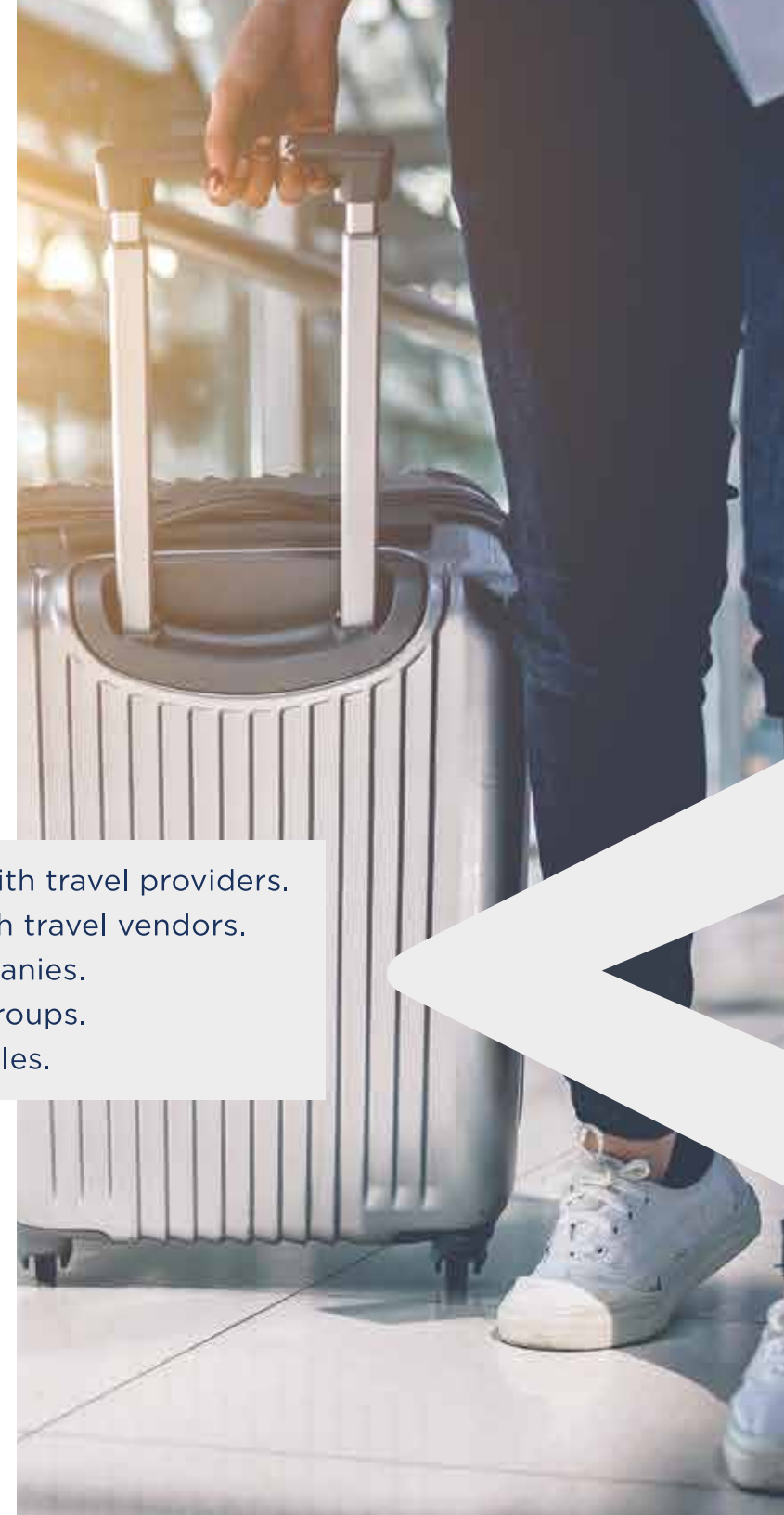
Types of Travel Benefits for Financial Institutions

Foreign currency exchange services are one of the most common travel-related amenities financial institutions provide. Though practical, currency exchange services aren't exactly a travel benefit or a perk — especially for customers who want to be **rewarded** for their continued business.

Instead, financial institutions can incorporate various travel-related products and services into a loyalty rewards program or rewards initiative to compensate customers more adequately for prolonged loyalty. Common types of travel benefits include:

- Discounts on hotels, airfare, and rental cars through partnerships with travel providers.
- Access to exclusive events or experiences through partnerships with travel vendors.
- Travel insurance through contracts with third-party insurance companies.
- Co-branded credits with reputable travel providers, such as hotel groups.
- Points-based rewards systems with tiered options for points and miles.

Many travel loyalty rewards operate through a tier-based program, in which customers must continue to spend (or bank) with the financial institution to progress through the program tiers and unlock exclusive rewards. Tiered programs can include co-branded credit cards and points systems.





Examples of Popular Financial Loyalty Programs

While the financial sector has not been as responsive to the current travel boom as other verticals, that's not to say that the entire industry has been slow on the draw. For example, many of the nation's most prominent institutions, including Capital One, Citigroup, and Wells Fargo, offer travel rewards programs.

1. Capital One, VentureOne Travel Card Rewards.

With a miles-based points system, Capital One VentureOne cardholders earn an unlimited 1.25 miles per dollar on every purchase and earn an unlimited 5 miles per dollar on hotels and rental cars booked through Capital One Travel.¹³

2. Citibank, Citi ThankYou Rewards.

With a points-based system, Citi ThankYou Rewards members can redeem points for cash back at up to 1 cent per point, redeem points directly at major gas stations like BP and Shell, and points-based discounts through Airbnb and at over 5,000 hotels.¹⁴

3. Wells Fargo, Choice Privileges Mastercard Credit Card.

With a co-branded credit card in partnership with Choice Hotels, Wells Fargo Choice Privileges cardholders earn 60,000 bonus points equal to 7 reward nights and five times the rewards points on Choice Hotels purchases.¹⁵





Maintain the Ultimate Competitive Advantage

The U.S. financial industry boasts a market size of \$5.4 trillion, a sizable portion of the nation's economy.¹⁶ However, nearly a fifth of the market value is held by less than a dozen major financial institutions, among the likes of JPMorgan Chase, Bank of America, and Morgan Stanley.¹⁷

Needless to say, competition in the financial industry is sky-high, particularly for local banks and credit unions. Fortunately, the current travel boom has created numerous opportunities for financial brands to differentiate themselves from competitors and stay relevant within the market.





Take co-branded credit cards, for example.

In 2020, American consumers submitted just over 140 million credit card applications — a sharp decline of more than 30 million applications from the year prior.¹⁸ What could drive new credit card applications and encourage existing banking customers to open new credit lines?

The introduction of a loyalty rewards program, especially one with travel perks.

According to a recent arrivia study, more than 80% of U.S. credit card holders belong to five or more loyalty programs, and another 56% belong to a program with travel benefits. Member rewards are the top secondary consideration when selecting a financial institution.¹⁹

The inclusion of travel rewards gives financial institutions a clear competitive edge. To better understand how travel loyalty rewards benefits can give your financial business an advantage over competitors, consider the numerous advantages for customers and your corporation.





Benefits of Travel Rewards and Loyalty Programs for Customers

At a time when 70% of consumers state that rewards from financial institutions influence their purchase decisions, and another 20% agree they would be more likely to spend more if offered relevant and personalized rewards, travel benefits have become preferred among customers.²⁰

Travel is almost universally appealing, with rates of tourism spiking across the nation (and around the globe). And because travel components — like airfare and hotel stays — are so expensive, travelers consider exclusive discounts a significant incentive to become financial customers.

Once a customer becomes a loyalty program member, the potential to earn redeemable points, miles, or one-of-a-kind trip packages only increases with increased purchase activity. This enables customers to improve their satisfaction with your company while enjoying their preferred lifestyle.





Advantages of Travel Rewards and Loyalty Programs for Brands

Travel rewards and loyalty programs are more cost-effective solutions to increase customer loyalty, engagement activity, and satisfaction. How much more cost-effective? Being that acquiring a new customer can cost five times more than retaining an existing customer, the answer is a lot.²¹

Travel-related perks help financial institutions gain customers and retain them for the long term, helping to reduce churn. For the business, increasing customer retention can lead to an increase in profit between 25 and 95%, a significant improvement that can drive considerable revenue.²²

The success rate of selling to an existing customer is up to 70%, while the success rate of selling to a new customer is as low as 5%.²³ Financial institutions can upsell banking members on additional services by reducing churn and improving existing customer relationships.





Meet and Exceed Current Customer Needs

When financial institutions discuss consumer needs, the conversation typically centers around interest rates and credit lines, not travel preferences. However, as the travel boom continues to make waves across the industry, the discussion must shift to customer-tailored travel perks.

So, what are the preferences (and needs) of today's travelers?

Price and value for money is the first consideration when planning a trip.²⁴ Not just that, but the primacy of value in travel booking carries over to travelers' frustrations with the booking process — 45% say they're never sure they're getting the best value possible when booking.²⁵





This frustration with the booking process can explain why 23% of travelers even incorporate their travel loyalty programs into the inspiration phase of their planning process.²⁶ Nearly a quarter of today's travelers consult their travel loyalty rewards website to discover high-value trip ideas.²⁷

In other words, most travelers tailor their trips to the value they get from them, not vice versa. So, businesses must orient their travel rewards and loyalty programs around the value proposition they present to their customers rather than promoting popular destinations.

Unsure what shape your relevant, high-value travel rewards could take?





4 Tips to Implement Relevant Travel Benefits

If you're anything like today's top financial institutions, you already have some semblance of a loyalty program to reduce customer churn and improve member satisfaction. However, if you do not have a loyalty program — or have yet to introduce travel-related products and services — here's how.

1. Identify Your Target Market and Their Travel Needs

A key component when building customer loyalty is to assess the wants and needs of your target market. Chances are, your financial institution is rich with consumer demographic data to learn more about your target audience, such as their average age, location, and spending power.

With that data, narrow in on your customer's travel needs. For example, how much are they spending on travel-related products and services, and what discounts do they deem valuable? Conducting customer surveys to understand their present needs best may be beneficial.





2. Choose Travel Benefits and Partners

Once you have a solid understanding of your target market and their travel needs, you can begin to select relevant travel benefits and partners. First, review the most prominent needs of your customers — such as access to discounts or exclusive experiences — to gauge valuable benefits.

Next, consider which partners could fulfill these benefits for your customers economically. For instance, Wells Fargo has an ongoing partnership with the Choice Hotels brand in which Wells Fargo customers earn points on Choice Hotels purchases, which boosts sales for both brands.

3. Communicate Your Travel Benefits to Members

It's integral that your customers are well-informed about your travel rewards and loyalty program, including how to earn and redeem rewards. But, more importantly, your customers must understand the value behind your benefits. One way to achieve this is through effective communication strategies.

For financial institutions, a mobile banking app may be one of the simplest methods to communicate your travel benefits. Nearly 90% of banking customers use their banking app at least once per month or more,²⁸ making a financial app a go-to destination for rewards and benefits details.





4. Manage and Monitor Your Program Success

Travel rewards and loyalty programs are not a set-it-and-forget-it kind of initiative. Instead, once a loyalty program has been enacted with relevant travel benefits and partners, it's essential to monitor program success, identify any areas of improvement, and implement the necessary changes.

Key monitoring areas include program adoption rates and the number of customers who redeem travel benefits each month. It's also important to gauge interest in any marketing initiatives for the program and assess items like email marketing open rates and click-through rates on paid ads.





Maneuver Through Risks and Mitigation Strategies

Discussing new travel-related services and products without considering their potential impacts is challenging. Unfortunately, this statement could not be more accurate than for financial institutions, which have faced fraud and cybersecurity risks for the latter half of the past two decades.

It's no secret that large-scale data breaches like Equifax and Flagstar Bank have significantly swayed public opinion — and trust — in banks and financial services. As a matter of fact, 43% of Americans report they have begun to trust their financial institutions less.²⁹

Sadly, the data does paint a grim picture. For example, there were 2,789,161 fraud reports made to the Federal Trade Commission (FTC) in 2021 alone, more than 700,000 related to bank or loan fraud.³⁰ These types of scandals can cause irreparable damage to an organization's reputation.





However, in the financial sector, it's not just an institution's good name that takes a hit.

According to a 2021 Deloitte study, three global companies recently involved in data and privacy scandals reportedly lost up to 56% of their market cap, relative to their peers, in as little as two years.³¹ These same companies also fell behind the comparable industry index by up to 74%.³²

As reputation and revenue decline, customer trust and perceived safety within a financial institution can also diminish. So when it comes to offering travel-related perks through a financial brand, it's vital to provide strategies that mitigate these risks and make customers feel secure.





Capitalize on Existing Customer Data

With the recent spike in financial-related data and privacy scandals, nearly a quarter of consumers are less willing to share data with financial institutions.³³ This is an operational problem for several reasons; however, a lack of data can also limit insights for selecting relevant benefits.

To cater your travel benefits to your customers' preferences with a lack of first-party data, return to previous years' insights to gauge the best place to start. Then, as your program grows, distribute monthly surveys and offer bonus perks (like extra points) for completion to begin gathering pertinent data.





Contain Traffic to Your Website Only

A major contributor to customers not feeling safe with a financial institution (or any other business) is the need to leave the organization's website to take specific action. For instance, many will not participate in a program that does not share your brand's specific website address or URL.

Since 15% of consumers have booked travel directly through their bank and 64% are likely to do so again, strive to contain rewards to your website only.³⁴ One way to do this is through a white label travel solution like a booking engine that can be integrated directly with your existing website.





Now is the Time to Boost Business with the Travel Boom

All too often, corporations get so caught up in the ‘next best thing,’ that they allow a significant business opportunity to pass them by.

Don’t make that same mistake. The American travel boom is underway, and no industry is as poised to capitalize on this opportunity as the financial sector.

As thousands of consumers flock to airports, train stations, and rental car businesses to begin another season of travel, now is the time for your financial institution to deploy relevant travel-related products and services. Travel loyalty rewards can take several shapes, including:

- Discounts on hotels, airfare, and rental cars through partnerships with travel providers.
- Access to exclusive events or experiences through partnerships with travel vendors.
- Travel insurance through contracts with third-party insurance companies.
- Co-branded credits with reputable travel providers, such as hotel groups
- Points-based rewards systems with tiered options for points and miles.

With the addition of travel-related products and services, your financial institution can tap into the multi-billion-dollar travel and tourism industry to enhance business revenue and maintain a competitive advantage that drives customer satisfaction and long-term retention.





Unsure where to start?

The experts at arrivia offer a comprehensive travel rewards program that can be integrated seamlessly into your loyalty program, corporate benefits, or current website. Maintain customer engagement by offering a turn-key, white label rewards platform today.

Email letsconnect@arrivia.com to book your demo!





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