

# European Travel Guide 2019

### Millennials buy more online but want more flexibility.

Our research shows that 25-34 year olds are the most frequent online travel shoppers – and also the most likely to shop flexibly in search of the best deal.

But with 1 in 5 citing a lack of flexible payment options as their biggest online shopping frustration, and over a third saying they'd be more likely to buy if a travel company offered the chance to pay in instalments, travel companies stand to profit from handling payments more flexibly.

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# Local payment for a global industry

The term 'global village' has been in use since the 1960s, but the internet has really turbo-charged the idea. It has shrunk both distance and time, making the world more interconnected. People can now exchange messages, stories, opinions, posts and videos online easier than at any time in the past.

Consumers can experience so much — new ideas, cultures and places — virtually. Yet, the market for real-world, physical travel is still growing. Unsurprisingly, more and more of this is booked online.

Airline and hotel purchases account for 15-25% of total e-commerce spend by value across the 13 countries in this report. This ranges from one-lira or one-zloty-in-seven spent online in Turkey and Poland to one-krone-in-four in Norway.

## The more global, the more local

In this report, we provide e-commerce market sizing data, travel sector average transaction values, e-commerce payment splits, plus details of popular local payment methods (LPMs). All indicators show that the online travel sector is growing in importance and global reach, yet payment remains resolutely local.

That's no surprise as there's no one single, global way to pay. Global payments brands such as Visa and Mastercard account for only 23% of global e-commerce payments. This will fall to 15% by 2021, Worldpay research suggests.

Far from consolidating, the payments landscape is fragmenting. There are more than 145 different local payment methods of relevance in Europe alone, as profiled in the PPRO Payment Almanac. Acquirers, payment service providers (PSPs) and merchants must accept that unless they can localise payments, they will miss out on sales.

For example, anyone selling in or into the Netherlands, must accept the bank transfer method, iDEAL. 57% of online purchases by Dutch consumers are made this way. Web shops in more than 60 countries worldwide now also offer iDEAL as a payment method to Dutch customers.

With its high banked population, we see these bank account-based 'push' payment methods overtaking card-based 'pull' methods in Europe. This will be driven by consumers' desire for more control and protection of sensitive data. And by merchants' desire to reduce the costs and risks of traditional 'pull' methods, such as chargebacks, fraud and PCI DSS.

## Customisation is key

Payment sits at the intersection between commerce and finance. It is critical for driving simpler, smarter, more customised experiences. Yet greater

personalisation on the front-end — allowing customers to pay anyone, anytime, anyhow from any device or funding source — creates greater complexity on the back-end.

PPRO aims to simplify the complexity of paying and being paid locally across 175 countries. We process, collect, reconcile, consolidate and pay out to merchants — all on one contract, one integration and with one settlement.







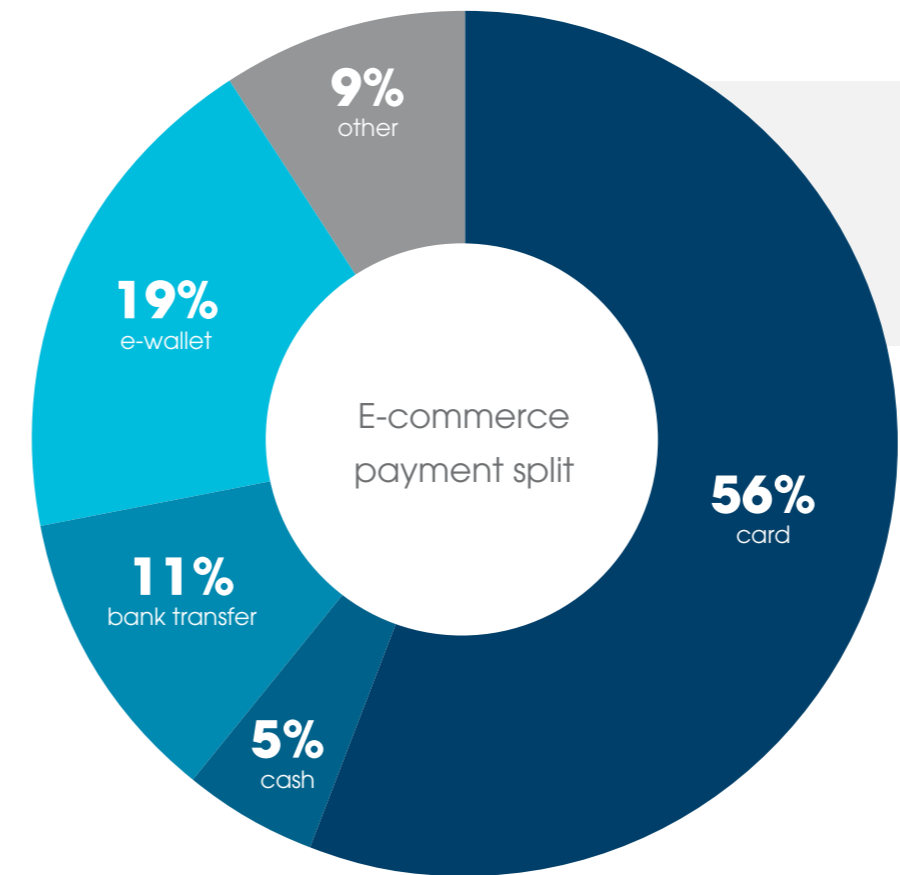


# Belgium

Belgium was created in 1830, merging the southern French-speaking provinces of Wallonia with the northern Dutch-speaking Flemish provinces. The two communities struggled to find balance and in 2011, they found themselves unable to agree on a coalition deal. As a result, Belgium went 589 days without an elected government. Despite this, the country has an enviable reputation for stability and good governance. The Belgians spent a healthy \$12 billion on travel in 2018. This is encouraging for a country with a population of just over 11 million. E-commerce is growing by 16% per year, similar to the amount of e-commerce conducted on a mobile device. 68% of Belgians have shopped cross-border online, most commonly with e-commerce merchants in the Netherlands, France and China. Cards are the most popular to pay online (56%), followed by e-wallets (19%) and bank transfers (11%).








## E-commerce volume

-  B2C e-commerce **12 billion USD**
-  Airlines and Hotels **Most popular**
-  Mobile e-commerce **15% of total**
-  Average online spend **1,767 USD**



# 16% e-commerce growth

## Popular LPMs in Belgium

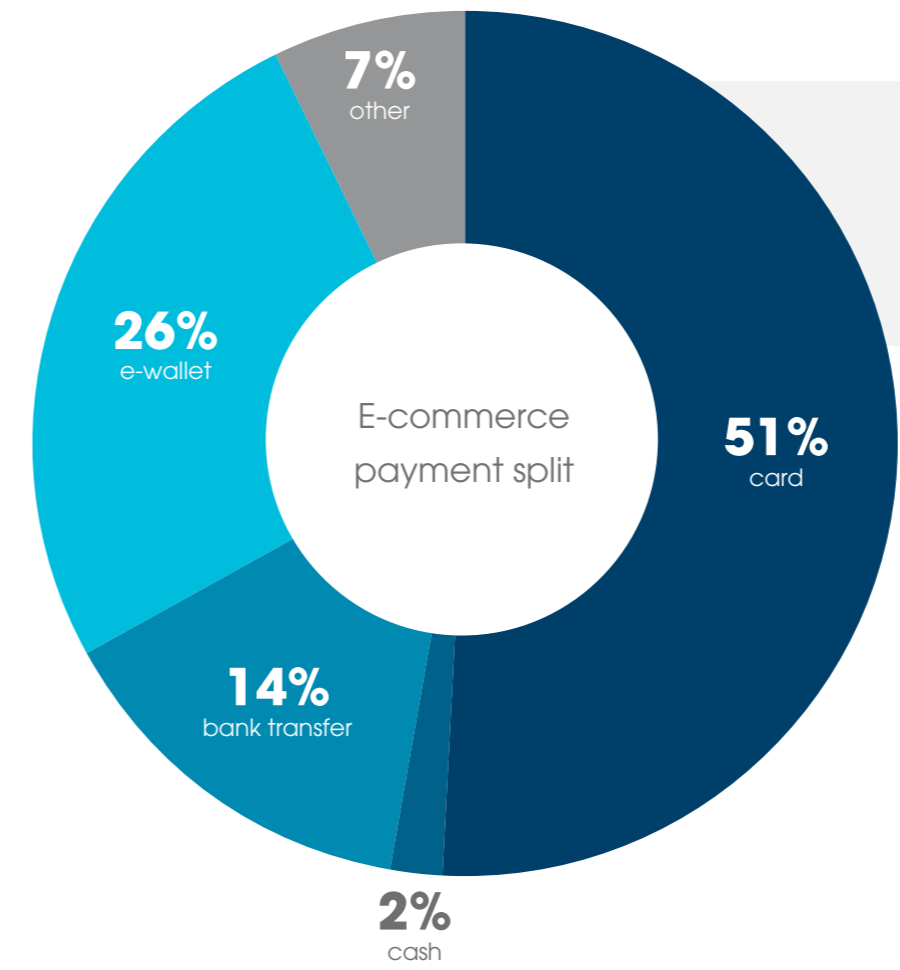
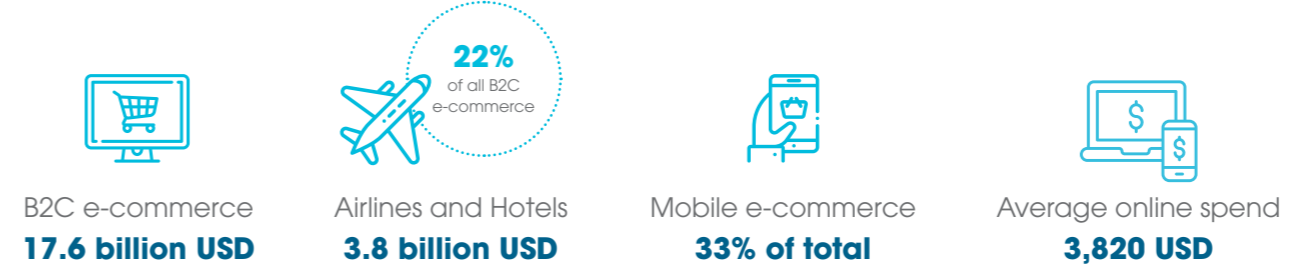
-  AfterPay
-  Bancontact
-  ING Home'Pay
-  Klarna Pay now
-  Payconiq
-  SEPA Direct Debit
-  Trustly



# Denmark

Denmark is one of only three EU members in Western Europe to not adopt the Euro and keep its own currency. Regardless, the country's economic growth has closely tracked those of similar North European economies within the Eurozone. According to World Bank figures, economic growth in 2017 was 2.24%. Travel is the top e-commerce category in Denmark, accounting for 22% of overall e-commerce sales. As befitting a country with a higher than average cost of living, the average online spend per capita in Denmark is \$3,820, the highest of the 13 countries featured in this guide. Popular payment methods locally include the domestic debit card Dankort, Klarna Pay later, Klarna Pay now, Klarna Slice it and Trustly.

## E-commerce volume



## 8% e-commerce growth

### Popular LPMs in Denmark

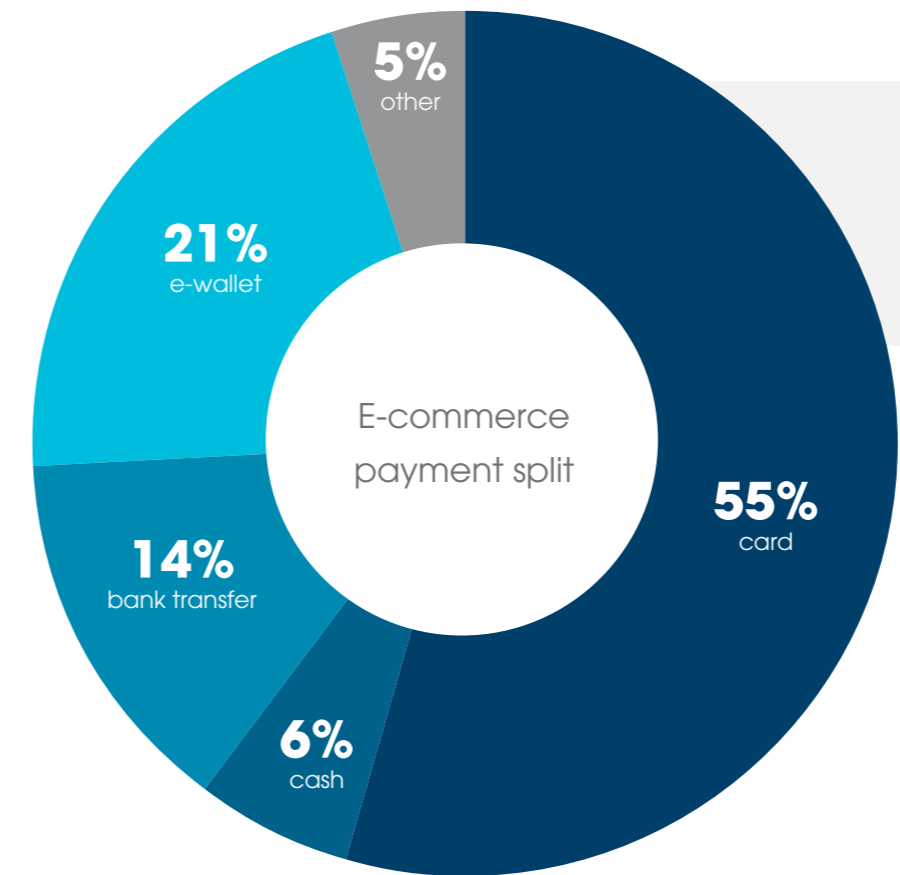
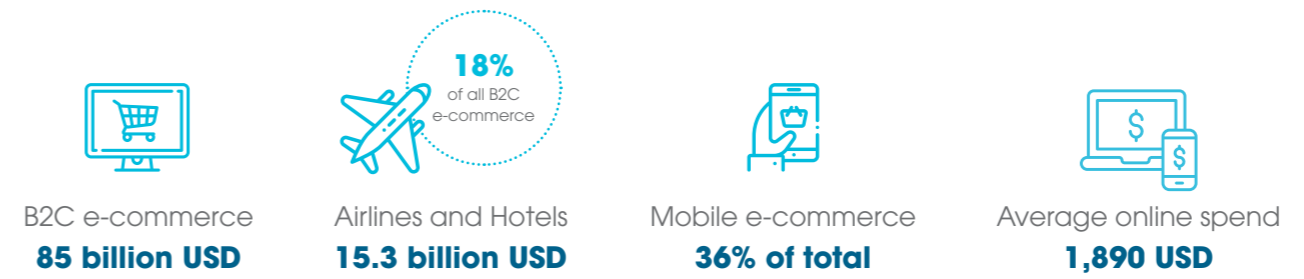
- Dankort
- Klarna Slice it
- Klarna Pay later
- Trustly



# France

Over the last decade, France has fared both better and worse than its European partners. In 2009 – the year of Europe’s big crunch – the French economy fell by just 2.9%, compared to 4% in the UK, 5% in Italy, and almost 6% in Germany. Since then, France’s recovery has been, in the words of the IMF, ‘tepid’. In 2017, France elected reformist candidate Emmanuel Macron to the presidency. Macron has promised to reform the French economy and labour market to make it more competitive and dynamic. The French spent \$15.3 billion on airlines and hotels online last year, making it the #1 e-commerce category. E-commerce accounts for 10% of total retail in the country, and when shopping online the majority of French pay by card (55%), followed by e-wallet (21%) and bank transfer (14%).

## E-commerce volume



**14%** e-commerce growth

## Popular LPMs in France

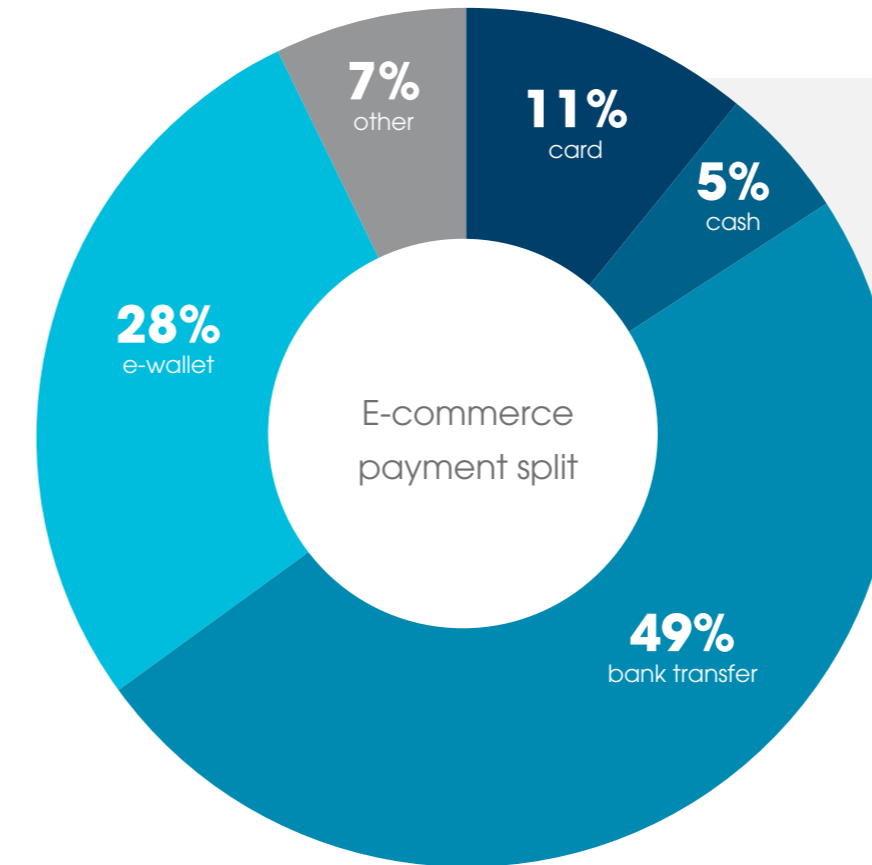
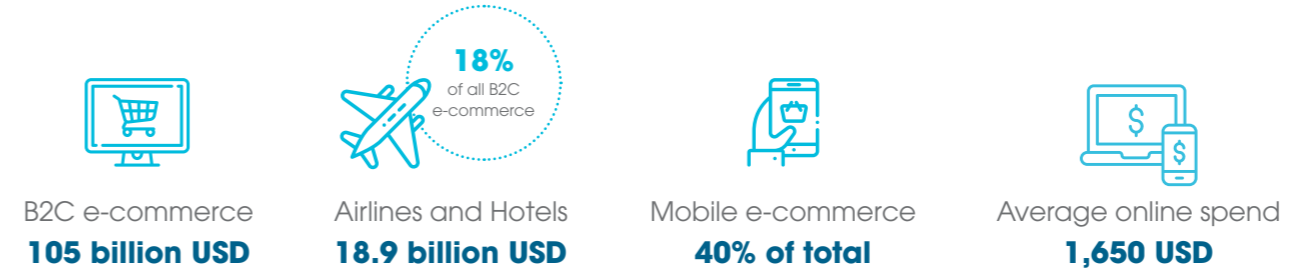
- Cartes Bancaires
- Cashway
- Klarna Pay now
- Lydia
- Paylib
- SEQR
- Trustly
- Yes By Cash



# Germany

Since the 1970s, Germany has been Europe's undisputed economic powerhouse. Almost a quarter of its GDP is generated by its manufacturing industry, something unrivalled by other major European partners. Of course, not everything has been as positive for Germany in recent years. For example, the migration crisis has involved the country in disputes with its Eastern European neighbours. The Germans have a Wanderlust. Collectively they spent \$18.9 billion on travel online last year. With B2C e-commerce growing at 9% and 40% of e-commerce completed on a mobile device, there's headroom for growth. Almost half of all online payments in Germany are made via bank transfer and popular payment methods include giro pay, paydirekt and Sofort, which has belonged to the Klarna Group since 2014.

## E-commerce volume



**9%** e-commerce growth

## Popular LPMs in Germany

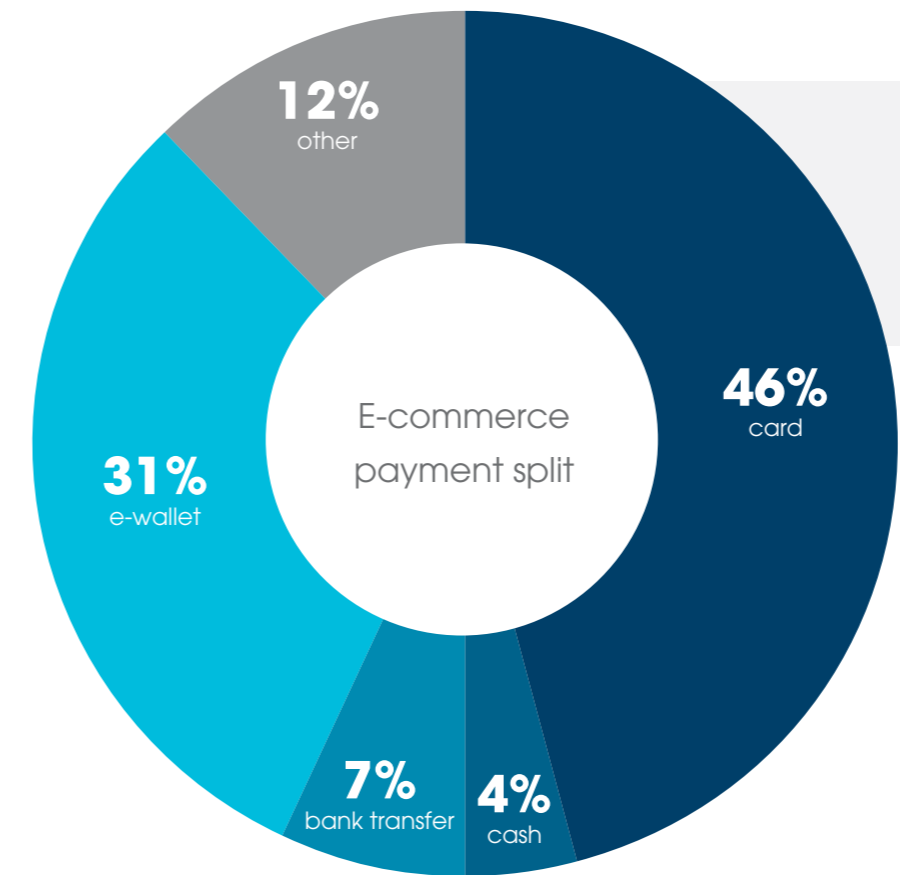
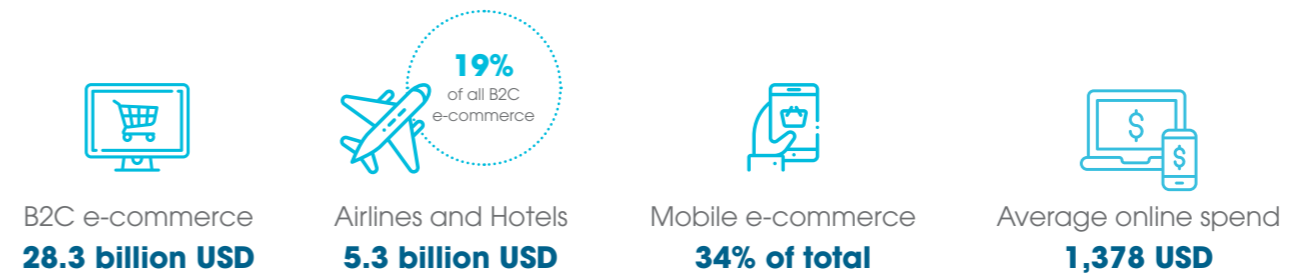
- giropay
- paydirekt
- Klarna Pay later
- SEPA Direct Debit
- Klarna Slice it
- Sofort



# Italy

In March 2018, the Italian general election produced a hung parliament. The right-wing Lega Nord and the populist Five-Star Movement eventually formed a coalition. The two young parties, are avowedly Euroscept and initial fears of a referendum on euro membership, which would undoubtedly have prompted another euro-crisis, came to nothing. E-commerce in Italy accounts for only 3% of total retail sales, however B2C e-commerce is growing at an encouraging 17%. Airlines and hotel purchases account for around one-in-five sales in Italy or \$5.3 billion in 2018. When they shop online, Italians prefer to pay by card (46%), e-wallets such as SEQR and bank transfer such as MyBank.

## E-commerce volume



**17%** e-commerce growth

## Popular LPMs in Italy

- Klarna.** Klarna Pay now
- SEPA** SEPA Direct Debit
- MyBank** MyBank
- SEQR** SEQR
- SEPA** SEPA Credit Transfer
- Trustly** Trustly

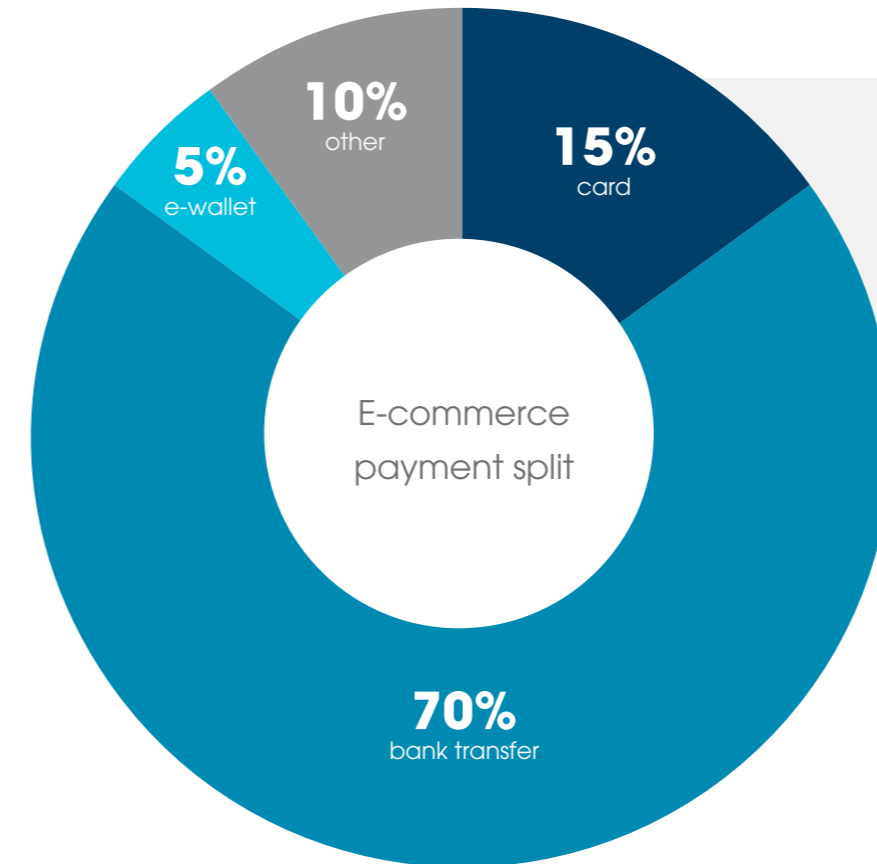
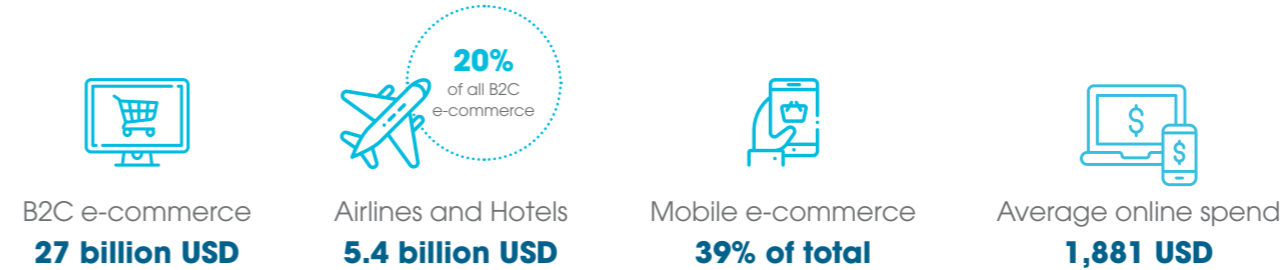




# The Netherlands

In 2018, Statistics Netherlands released figures showing that tourism is becoming increasingly important to the Dutch economy. Since 2010, the sector's contribution to the country's economy has grown by 43% to almost €25 billion. The Dutch economy is the sixth largest in the EU, with industry accounting for around 17% of its GDP. Services make up the bulk of economic activity, at 82% of GDP. Since 2014, the Netherlands have enjoyed three years of solid economic expansion. In 2017, the economy grew by 3.1%, its strongest showing since the financial crash. For a smaller country with a population of around 17 million, the Netherlands punches above its weight in terms of e-commerce spending. The Dutch spent \$5.4 billion on travel online in 2018, which is similar to Italy with a population 3.5 times as large. More than half of all e-commerce payments in the Netherlands (57%) are made with iDEAL, a real-time online bank transfer payment method.

## E-commerce volume



## 13% e-commerce growth

### Popular LPMs in The Netherlands

- Billink
- Payconiq
- iDEAL
- SEPA Credit Transfer
- Klarna Pay later
- SEPA Direct Debit
- Klarna Pay now

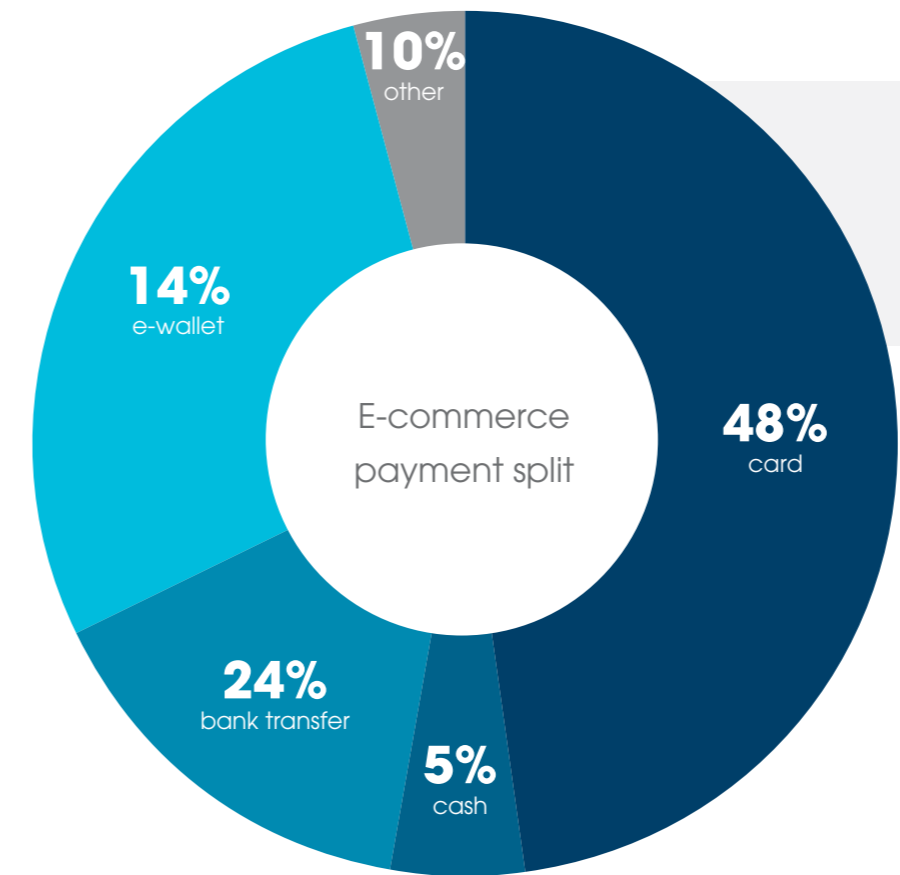
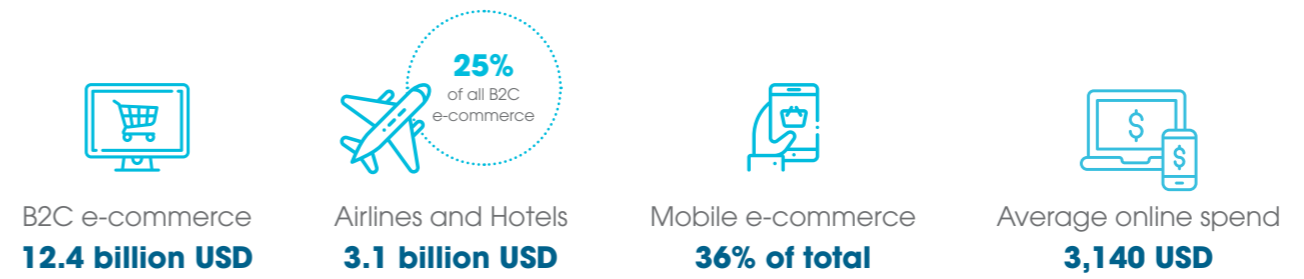




# Norway

Norway is not a member of the EU, but is part of the European Free Trade Association (EFTA). Meaning the country is outside the customs union and can negotiate its own trade deals. However, it's inside the Single Market which means it must implement most EU laws and standards. Norway has the second highest GDP per capita of all the countries in this report. A large part of the reason for its high productivity is that this small country sits on top of reserves of 1.3 billion barrels of oil. Travel accounts for 25% of overall e-commerce sales in Norway, the highest proportion of any country in this guide. Smartphone penetration in Norway is high and around one-third of e-commerce sales are completed on a mobile device. This explains the popularity of the local payment method, Vipps, a mobile wallet that can be linked to a bank account or payment card. Other popular ways to pay in Norway include Klarna Pay later, Klarna Pay now, Klarna Slice it and Trustly.

## E-commerce volume



# 12% e-commerce growth

## Popular LPMs in Norway

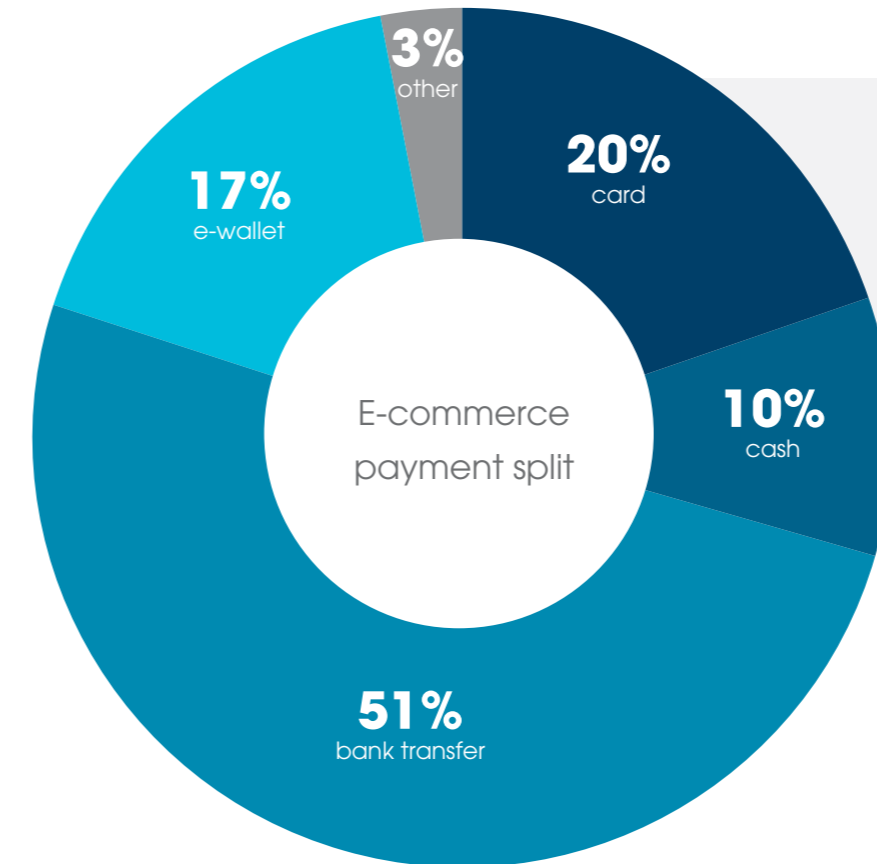
- Klarna.** Klarna Pay later
- Trustly** Trustly
- Klarna.** Klarna Slice it
- vipps** Vipps
- Paylevo** Paylevo



# Poland

In September 2018, analysts at FTSE Russell upgraded Poland's status from an emerging to a developed market. Referencing the size of Poland's economy, the quality of its market and corporate government, and the range of investment opportunities available as contributing factors. Poland was the only EU country to avoid recession after the financial crisis. Since 2009, its growth rates have trended between 1.3% and 5%. During the recession, Poland was able to increase spending on public infrastructure by using EU development funds, keeping growth rates high. Poles spent \$1.4 billion on airlines and hotels online last year, making it the #1 e-commerce category. B2C e-commerce is growing by 10% in Poland, and when shopping online the majority of Poles pay by bank transfer (51%). Popular bank transfer payment methods locally include BLIK, KIR Paybynet, PayU and Przelewy24.

## E-commerce volume



## 10% e-commerce growth

### Popular LPMs in Poland

- blik** BLIK
- PayU** PayU
- KIR PayByNet** KIR Paybynet
- Przelewy24** Przelewy24
- Klarna.** Klarna Pay now
- YetiPay** YetiPay

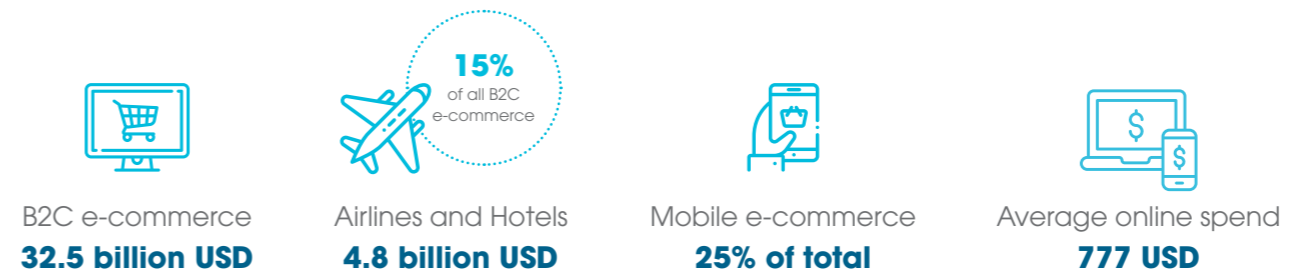




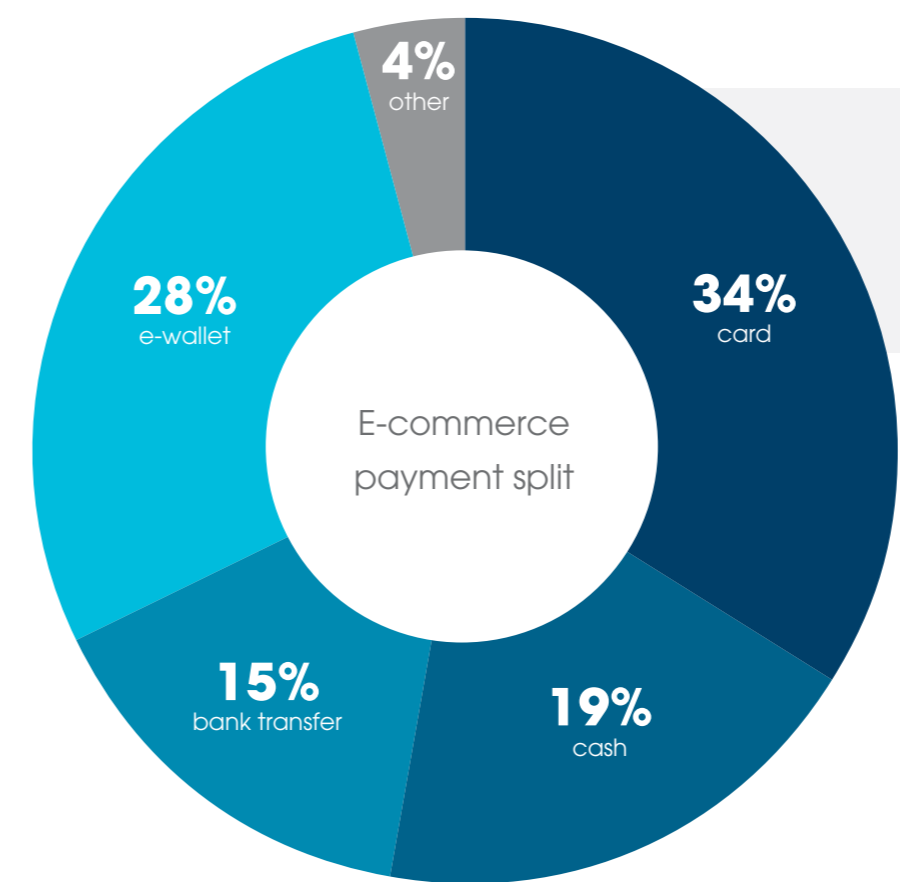
# Russia

Russia's GDP grew by 1.8% in the second quarter of 2018. As a category, raw materials made up 36% of exports in 2016, far higher than the average for a developed economy. This leaves Russia exposed to fluctuations in commodity prices. Between February 2013 and February 2016, the IMF's primary index for industrial commodities dropped in value by 40%. During the same period, the price of crude oil dropped from \$108 to \$31. Everything is on a different scale in Russia. The country covers 13% of the world's surface, spans 11 time zones and is home to 144 million people. Although e-commerce represents only 4% of total retail spending, this still equates to \$32.5 billion. Travel is the top e-commerce category in Russia, accounting for 15% of overall e-commerce sales. Popular online payment methods in Russia include card and the four main e-wallets: Moneta.ru, QIWI, WebMoney and Yandex.Money.

## E-commerce volume



**17%** e-commerce growth



### Popular LPMs in Russia

- moneta.ru Moneta.ru
- QIWI Qiwi Wallet
- MTS MTS Money Wallet
- Yandex Money Yandex.Money

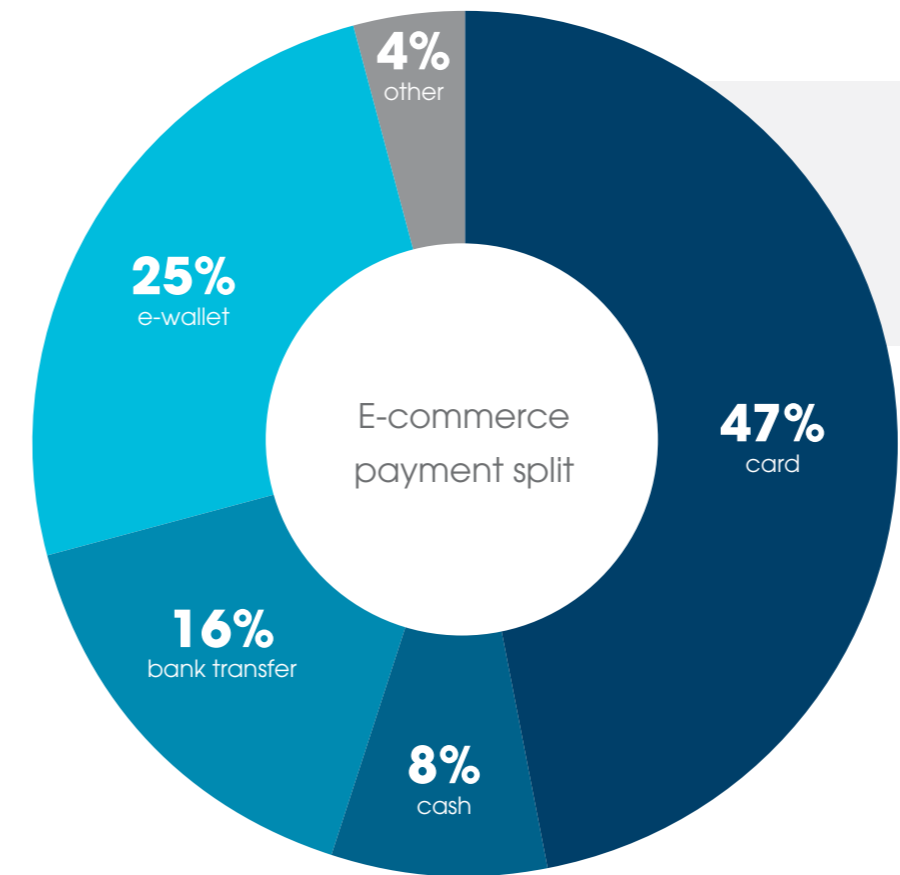
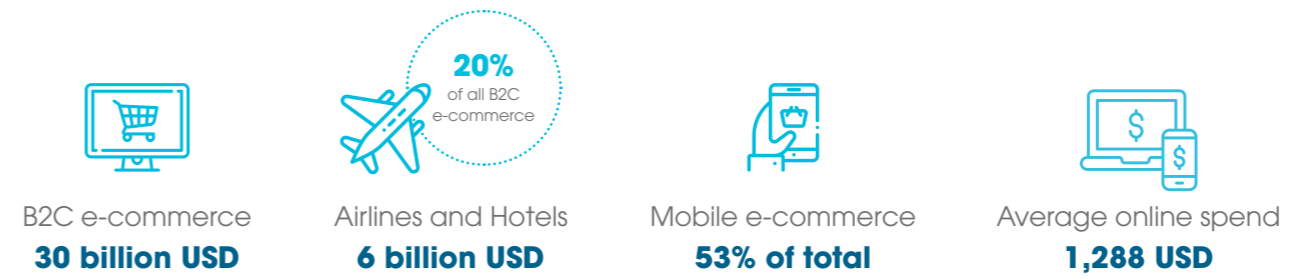




# Spain

At 200m high, Intempo in Benidorm was to have been Europe's tallest residential building. But no residents ever moved in. It was financed in 2005 by a €93 million loan, given on the strength of just €3,100 collateral. In the end, the tower almost bankrupted the lending bank and was never finished. Intempo has become a symbol for Spain's building boom of the mid-2000s and the subsequent financial crash. For a time, the country had the highest unemployment rate in Europe. The outlook for the online travel sector in Spain is sunny. Spaniards spent \$6 billion on travel-related purchases online in 2018, that is 20% of overall e-commerce spending. The average online purchase per capita in Spain is a respectable \$1,288, and B2C e-commerce is growing at a rate of 15%. When they shop online, Spaniards prefer to pay by card on nearly one-in-two occasions and via e-wallets one-in-four.

## E-commerce volume



**15%** e-commerce growth

## Popular LPMs in Spain

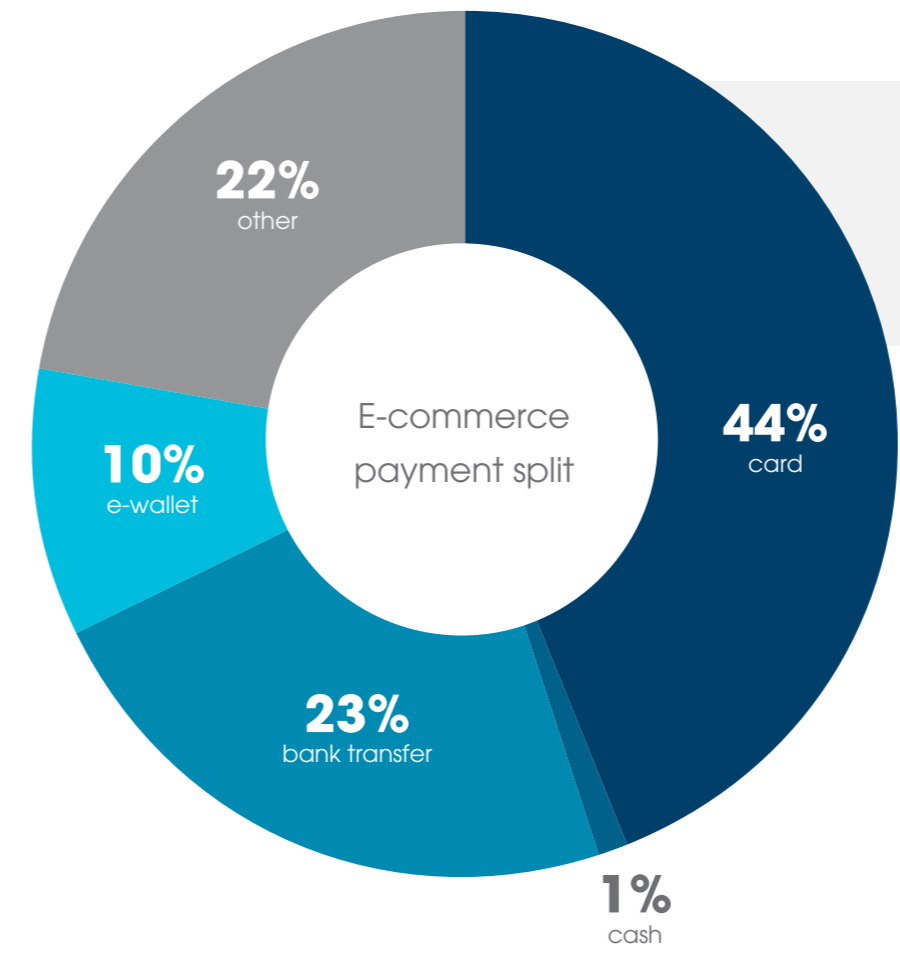
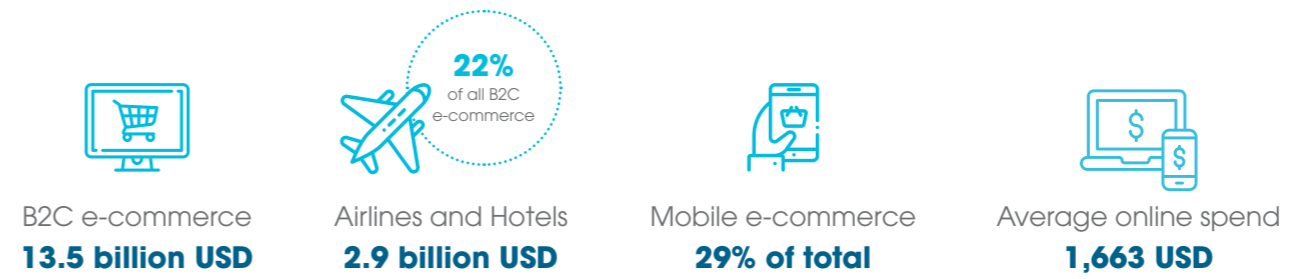
- iupay!** iupay
- SEPA** SEPA Direct Debit
- Klarna.** Klarna Pay now
- teleingreso** Teleingreso
- SEPA** SEPA Credit Transfer
- TrustPay** TrustPay



# Sweden

Sweden is part of the EU but not part of the Eurozone. It retains its own currency, the krona, enjoys unparalleled prosperity, and ranks number four on Forbes' list of best countries to do business in. In 2017, the economy grew overall by around 2.3%. Unemployment was down to around 6.7% by the end of 2017 and 6.6% by Autumn 2018. Sweden is a small country of around 10 million inhabitants, who spent nearly \$3 billion in the travel sector in 2018. This is 22% of overall e-commerce spending, the top category for online sales. Swedes prefer to pay by card 44% of the time when shopping online. Bank transfer payment methods, such as Entercash, are popular, as are the Klarna suite of products (Klarna Pay now, Klarna Pay later and Klarna Slice it) in their home country.

## E-commerce volume



**4%** e-commerce growth

### Popular LPMs in Sweden





- Entercash
- Klarna Pay later
- Klarna Pay now
- Klarna Slice it
- Swish
- Zimpler

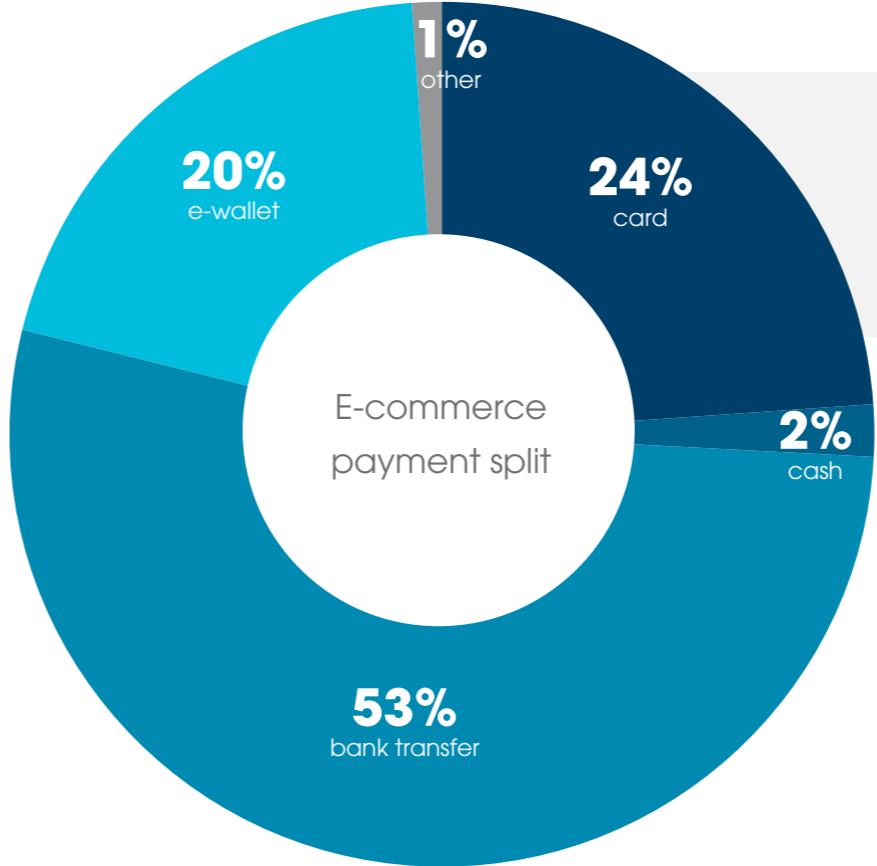


# Switzerland

Switzerland's economy has managed to ride out the rising turbulence in global trade. The economy recently grew by just 1% but registered an annualised growth rate of 3.4% in the second quarter of 2018. Switzerland's financial sector contributes around 9.6% of the country's GDP. Overall, Switzerland has the second-highest per capita GDP in the world. As inhabitants of a well-to-do, landlocked country in the middle of Europe, the Swiss have both the means and opportunity to travel. Their 8.5 million inhabitants spent a respectable \$12.8 billion on air travel and hotels in 2018. When paying online, the Swiss mirror their German neighbours to the north in preferring bank transfers (53% of online payments). This is followed by cards (24%) and e-wallets (20%).







## E-commerce volume

-  B2C e-commerce **12.9 billion USD**
-  Airlines and Hotels **Most popular**
-  Mobile e-commerce **27% of total**
-  Average online spend **1,974 USD**



**9%** e-commerce growth

### Popular LPMs in Switzerland

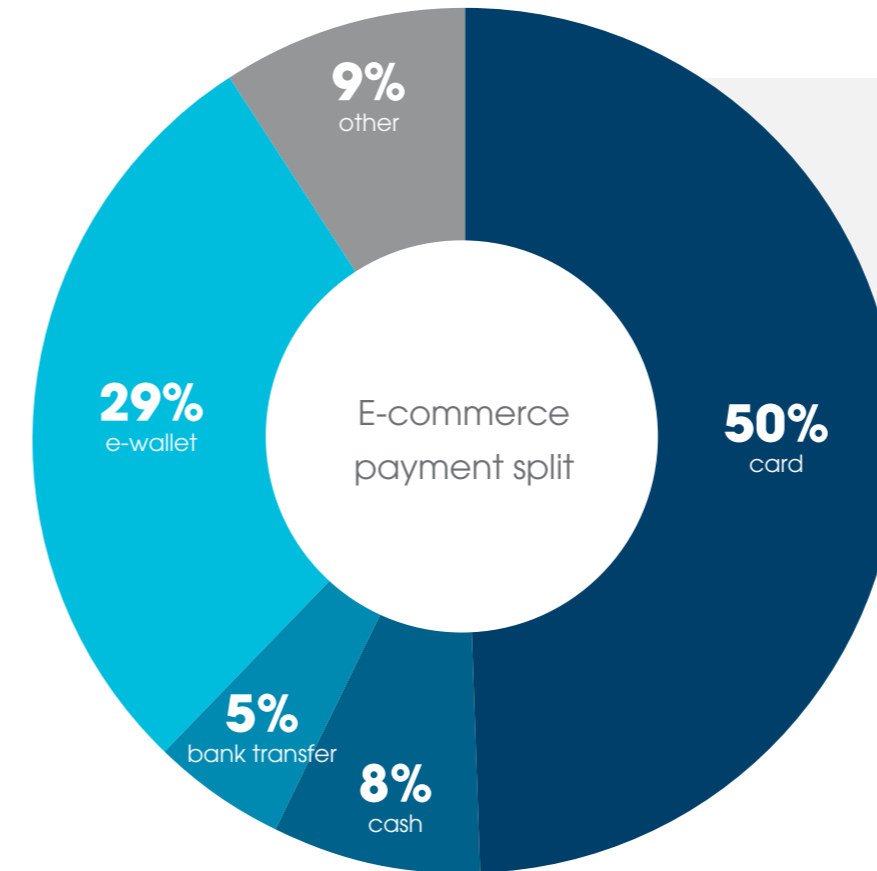
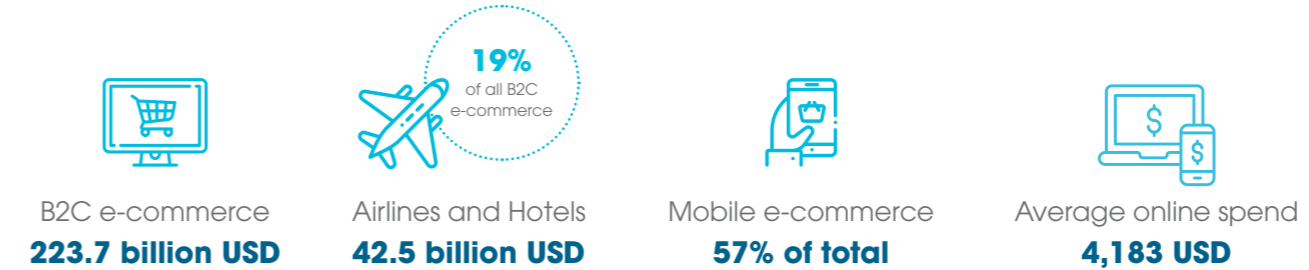
-  BILLPAY Billpay
-  PostFinance PostFinance
-  Klarna Klarna Pay now
-  POWERPAY PowerPay
-  one MyOne
-  TWINT Twint



# The United Kingdom

On the night of 22 June 2016, the Palace of Culture and Science in Warsaw was lit up in the colours of the Union Jack. Many other European cities followed suit, staging similar displays in a show of solidarity with British voters: stay with us, they were saying. With a turnout of 72%, 52% of voters opted to leave the EU. The economic impact of Brexit has been mixed. The Stay campaign's worst predictions of an instant loss of confidence and punishment by the markets have not come true. But the economy is showing signs of slowing down. B2C e-commerce in the UK represents a whopping \$223 billion, the biggest market in this report by some margin. Travel is the top e-commerce category in the UK, accounting for 19% of overall e-commerce sales, or \$42.5 billion, which is more than twice the size of the next largest market (Germany at \$18.9 billion). When shopping online Brits like to pay by card (50%), followed by e-wallets (29%).

## E-commerce volume



**8%** e-commerce growth

## Popular LPMs in the UK

- Faster Payments Service
- Pay by Bank app
- Klarna Pay later
- UK Direct Debit
- Klarna Slice it





Sources:

Edgar, Dunn & Company: Commissioned work

Publicly available online information

Klarna-commissioned study

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