

TRAVEL MONEY – UK – 2024

Consumers' prioritisation of holidays is keeping demand for travel money high. As travellers continue to transition towards cards, convenience and security are key.



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Travel Money - UK - 2024

This report looks at the following areas:

- The impact of the cost of living on travel money.
- Analysis of the size of the market and forecast for the next five years.
- Consumer usage, preferences and attitudes towards payment methods.
- Holiday activity and its impact on travel money.
- Key factors influencing payment methods used abroad.
- Consumers' spending expectations in the future.



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Overview

The travel money market is being influenced by wider trends in holiday activity. Overseas travel has recovered strongly since the pandemic, but consumers are adapting their behaviour in a number of ways in response to the cost-of-living crisis. This includes picking destinations where travel money will go further, and setting budgets on holiday.

Changes in domestic payment preferences and habits over the last decade or so are being reflected overseas. In travel money this is being seen in a rising use of cards, accelerated in recent years by the rise of fee-free options. Cash remains the most popular payment method for Brits abroad, overall, but this isn't the case for younger consumers, suggesting that the role of cash will continue to evolve.

Despite the majority of consumers still organising their travel money in-store, providers are innovating by offering increased online services and automation. Travelex's recent

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introduction of click-and-collect ATMs highlights the increased push for convenience. Innovations in the way consumers organise travel money will be key to shaping the travel money market in the next few years.

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Report Content

Key issues covered in this Report

- Overview

EXECUTIVE SUMMARY

Opportunities for the travel money market

- Providers have an opportunity to help consumers during the cost of living
- Opportunities exist to capitalise on consumers demand for convenience
- Digital banks have an opportunity to capture market share

Market dynamics and outlook

- Market predictions
- Spending on overseas travel expected to grow consistently over the next five years
- Total overseas spending rose strongly in 2023

What consumers want and why

- Overseas travel continues to recover
 - Graph 1: destinations visited in the last 12 months, 2023
- Cash remains the top spending method abroad
- Retailers rank top for arranging travel money
 - Graph 2: sources of arranging travel money in the last 12 months, 2023
- Consumers' spending preferences and behaviours are broadly aligned
 - Graph 3: preferred type of travel money, 2023
- Good exchange rates remain the priority
- Less than one in 10 expect to reduce spend on their next holiday abroad
- Consumers are becoming more cost-conscious when travelling

Innovation and marketing

- Travelex expands ATM Click & Collect service
- Eurochange continues to expand retail footprint

MARKET DYNAMICS

Market size

- Total overseas spending surpasses pre-pandemic figures...
 - Graph 4: total spend abroad by UK residents, 2019-23

- ...driven by sustained recovery in travel, and rising prices
- Foreign trips volumes are yet to recover to pre-pandemic levels
 - Graph 5: overseas trips by UK residents, 2019–23

Market forecast

- Spending on overseas travel expected to grow consistently over the next five years
- Outlook for travel money looks bright

Market segmentation

- Overseas holiday spending continues to grow
 - Graph 6: overseas spending on holidays by UK residents, 2015–23
- Consumer spending on overseas holidays exceeded pre-pandemic levels in 2023
- Business travel is adapting
 - Graph 7: visits abroad for business travel by UK residents, 2023
- Average spend on holidays remains elevated
 - Graph 8: average spend on overseas trips by UK residents, 2015–23

Macroeconomic factors

- Inflation is still the key factor affecting consumers' finances
 - Graph 9: CPI inflation rate, 2021–24
- Consumer sentiment: the recovery is continuing...
 - Graph 10: the financial wellbeing index, 2016–23
- ...and people feel more confident about their financial prospects
 - Graph 11: the financial confidence index, 2016–24
- Holidays set to benefit the most from improved financial stability
 - Graph 12: spending priorities if financial situation significantly improved, 2023

Regulatory and legislative factors

- Travel money providers need to consider Consumer Duty

WHAT CONSUMERS WANT AND WHY

Holiday activity

- Overseas travel continues to recover
 - Graph 13: destinations visited in the last 12 months, 2023
- Travel remains a high priority for consumers
- Europe remains the most popular holiday destination
- Domestic travel poses a threat to travel money providers
- Spain ranks top for overseas holiday destinations in the next 12 months
 - Graph 14: destinations consumers are planning to visit for a holiday in the next 12 months, 2023

- Consumers are considering new destinations...
- ...which could fuel demand for cash
- Social media is influencing travel decisions...
- ...with younger consumers being the most heavily influenced
 - Graph 15: social media platforms' (eg Instagram, TikTok) influence on holiday ideas, by generation, 2023

Types of travel money used

- Cash remains the top spending method abroad
 - Graph 16: types of travel money used in the last 12 months, 2023
- Cash is still king for UK travellers
- Demand for cards continues to rise
 - Graph 17: types of travel money used in the last 12 months, 2022-23
- Consumers are increasingly relying on card
- Two thirds of consumers use multiple payment methods
 - Graph 18: number of methods used when paying for things abroad, 2023
- Cash remains significant but its usage is evolving
- Cash and card is the approach adopted by most
 - Graph 19: consumers' spending methods on their last holiday, by number of methods used, 2023
- Consumers' spending preferences and behaviours are broadly aligned
 - Graph 20: preferred type of travel money, 2023
- Younger generations are opting to use card

Arranging travel money

- Retailers rank top for arranging travel money
 - Graph 21: sources of arranging travel money in the last 12 months, 2023
- Retailers benefit from convenient locations
- Specialist providers need to adapt to meet consumers' evolving demands
- Rise in online delivery could open the door for travel agents

Key considerations for travel money

- Good exchange rates remain the priority
 - Graph 22: priorities when choosing one spending method over another for use on holiday abroad, 2023
- Consumers demand convenience...
- ...throughout the entire customer journey
- High security is key for consumers
- Previous experience with payment method comforts consumers

Future travel expectations

- Most holidaymakers expect to spend the same or more when they next go on holiday
 - Graph 23: consumers' spending expectations for their next holiday abroad compared to their last, 2023

- Half of consumers don't expect to change to their spending budget

Travel money behaviours

- Consumers are becoming more cost-conscious when travelling
 - Graph 24: consumer attitudes towards travel money, 2023
- Holidaymakers understand the costs associated with using cards...
- ...which presents opportunities for digital banks
- Consumers are adapting their holidays to align with budgets
- Quick guides can help travellers find destinations where their money will go further
- All-inclusive holidays offer luxury and help with budgeting
- Over a third of foreign currency customers order currency online

INNOVATION AND MARKETING TRENDS

Competitive strategies and launch activity

- Travelex expands ATM Click & Collect service...
- ...and launches new foreign exchange services around the globe
- Sainsbury's set to offload its banking business
- Eurochange continues to expand retail footprint

APPENDIX

Market forecast data and methodology

- Market forecast: underlying data
- Forecast methodology

Report scope and definitions

- Market definitions
- Market definitions continued
- Abbreviations and Terms

Methodology

- Consumer research methodology

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