

How to make travel credit cards work for you

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India is one of the fastest-growing outbound travel markets in the world. Rising disposable income coupled with aspirations for a superior lifestyle as well as the availability of affordable air fares and diverse travel packages have turned many into globetrotters. Domestic travel too remains a key component of India's booming travel market with the Indian aviation industry expected to become the third largest in the world by 2025.

Reports indicate that Indian travelers are high spenders with leisure activities and shopping being important spend categories, particularly while travelling abroad. Moreover, over the last few years, there has been a marked shift from offline to online travel bookings, with savvy travelers preferring to book their own tickets, hotels and vacation packages on online platforms. And cards are becoming the near ubiquitous

mode of payment for such transactions. We have observed significant increase in usage of our cards for travel bookings, with a 60% rise in travel transactions over the last two years alone. Also, we have seen that spends on travel category, on our card portfolio, have been rising at over 30% YOY.

Those itching to see the world should consider opting for a travel credit card. With a judiciously selected travel credit card, smart travelers today can significantly optimize on travel expenses while enjoying a superior travel experience.

Choosing the right credit card

Some travel cards offer accelerated miles and savings on airline transactions while others offer holistic benefits on airlines, hotels as well as holiday packages. Consider your travel requirements and spending patterns and choose a card keeping the following factors in mind.

Airline miles: Travel credit cards commonly work through a 'miles for reward points' structure, in partnership with a particular airline or travel portal. Every time the card is swiped, the cardholder is awarded certain reward points, depending on the type and brand of the card. Reward points are also offered on certain milestone spends during the year. In addition, accelerated reward points are earned when the card holder makes purchases at the partner airline. You can accumulate reward points over a period of time and convert these into air miles, which in turn can be redeemed to purchase tickets. The better the rewards structure on the card, the more you save!

For instance, one of the travel credit cards offers 30 reward points for every Rs 100 spent on Air India tickets as well as 4 RPs on all other spends. In addition bonus points are offered on crossing spend milestones such as 20000 points on crossing Rs 5 lakh annual spends, 50,000 points on crossing Rs 10 lakh annual spends and so on. The accumulated reward points can be converted to air miles where one 1 RP = 1 mile and used for purchase of Air India tickets. Therefore, if a cardholder spends Rs 10,00,000 in a year on his card, he/she will have sufficient miles to avail one Delhi-London return ticket as well as one Delhi-Bombay return ticket. Alternately, the card holder can avail 6 Delhi-Bombay round trips. Therefore, smart usage of a travel credit card can result in huge savings!

Instant discounts: If you would like to avail benefits not only on airline tickets but on a range of travel purchases such as hotels, holiday packages etc. consider opting for a credit card which is in partnership with a full travel service provider.

Welcome benefits: While choosing a credit card, one should also consider sign up bonuses and welcome benefits. A good travel credit card will offer bonus welcome miles or vouchers at the partner travel portal which can be redeemed against tickets/ hotels/ holiday packages etc.

Benefits on international spends: Travel credit cards may also come equipped with a feature of accelerated reward points on international spends. If you travel abroad frequently, this will allow you to earn points rapidly on each international spend and save on your next travel.

Premium travel experience: The global Indian traveller nowadays is seeking access to premium brands and experiences. If you want to travel in style, opt for cards which offer benefits such as discounted upgrades through miles, companion vouchers, complimentary airport transfers, airport lounge access etc.

While reward points and cash discounts are one aspect, there are several other benefits that one should consider when choosing a card suited to one's lifestyle. Many cards nowadays come equipped with contactless feature, which can be very useful especially during foreign travel. Most payment terminals abroad are NFC-enabled and if your card supports contactless feature, you can simply Tap and Pay at the merchant terminal without using the physical card, thus keeping your card secure. If you are a frequent traveller, you should also consider features such as worldwide acceptance, foreign exchange mark up, complimentary travel and fraud insurance and complimentary airport lounge access, all of which can contribute to an enriched travel experience.

Having selected the right card for one's purpose, the next step is smart usage. To accumulate sufficient miles for your dream vacation, divert maximum spends on to your travel card. At the same time, make sure you stick to your budget. One must remember that default in payments may result in loss of the accumulated reward points. It is important to clear outstanding balance at least to the extent of Minimum Amount Due in every payment cycle. Also, keep track of the validity of the reward points and redeem them prior to expiry. Reward points accumulated on travel cards can be used not only for travel bookings but also redeemed against the issuer's rewards catalogue.

As with any other credit card, one should be cognizant of the security aspects of card usage. Do not disclose sensitive information and payment credentials such as CVV, PIN and OTP to any third party, even while using the card on your travels. With some planning and smart usage, a well selected travel credit card can indeed prove to be a great companion while you travel the world!

(By Hardayal Prasad, MD & CEO, SBI Card)