Transforming Payments in the Hotel Sector

How hotel future best practices learn from and aid the airline industry
The next 30 minutes of your life...

• Where have we been?
• What’s going on now?
• Why might you care?
  • Airlines will feel good about themselves and see opportunities for dynamic packaging and loyalty
  • Payment companies will see the next major problems to solve
Where have we been?

Hoteliers have had little reason to care

• Properties (and ownership structure) have driven the payment strategies
  • Payment methods not guest-centric
  • Payments not processed centrally
  • Fax machines rule
• No brand has any concept of its payment costs

HEDNA’s Global Hospitality Payment Working Group (and its recent white paper)
Why?

The rationale for change depends on the perspective of many parts of the hotel payment ecosystem.

- For *marketing and sales*, the rationale is simply to make guests feel comfortable and welcome throughout their experience.
- For *distribution*, the rationale is more about keeping guests on a hotel’s preferred journey.
- For *eCommerce*, the rationale is conversion and upselling non-room revenues.
- For *finance and investors*, the most critical rationale will be adding 1 – 4% to the bottom line for all cross-border guests.
Conventional wisdom?

For this transformation to occur, assumed conventional wisdoms will need to be shaken by the industry:

• Hoteliers may very well receive funds more quickly and pay less to process transactions in a central processing environment

• The notion of pre-paid transactions becomes more prevalent with locally preferred and less expensive payment options

• Pre-paid does not need to be discounted nor non-cancellable. Airlines have fully-prepaid fares for refundable first-class tickets. The OTAs have done a lot to educate the consumers

• A one-night no-show penalty is not sufficient for a hotelier taking a week or more out of inventory. The one-night penalty was industry designed decades ago and is not in any way required
Future best practices...

Guest-centric (centrally collected payments)

Creation of a B2B payment platform

3rd party commission payments
Not a surprise to airlines…
Payment strategies today are designed around where the property is located – not where the guest (purchaser) is located. A hospitality focused solution should be reliant on the best experience for the guest. The hotel can still get its funds locally in the expected currency.

- Localized payment methods
- Priced in known currency
- Funding the hotel in its currency
- Currency management from booking currency to rate structure
- Omni-channel
- Enabling a guest-centric payment solution is already in place in the rest of the travel industry

Certain payment types require pre-paid solutions.
The situation today...

There’s a very limited set of things which can be done using this payment infrastructure.
Fax free by 2020
The situation today...

- Known Relationship (Contractual)
- Unknown Relationship (Dynamic Contracting)

Cost of Risk Mitigation vs. Risk
The desired state...

COST OF RISK MITIGATION

RISK

Known Relationship (Contractual)  Unknown Relationship (Dynamic Contracting)

Type of Trading Relationship

Right Sizing Cost vs Risk
The Future of B2B Payments

Imagining an intelligent payment channel which featured:

1. **Seamless connectivity**
   between all industry stakeholders

2. **Streamlined execution**
   of complex payment workflows (bill-back, etc.)

3. **Payment method independence**

In a way so as to minimize training requirements and reliance on standards
Open Payment Alliance

www.hedna.org
For this audience, we can skip right past commissions
Benefits to the airline industry

Benefits to payment companies in this audience are likely clear. For airlines, a hotel industry functioning in a normal payment ecosystem will have many subtle benefits.

- Dynamic packaging
- Innovation in B2B payments
- Future of loyalty
- Potential for crew experience
TV show about payments?

Amazon Prime (28 September)
Season 2: StartUp
Co-Host of ATPS-APAC 2017

Thank you!