



# **PAYMENTS TRENDS AND FUTURE BEST PRACTICES IN THE HOTEL SECTOR**

Global Hospitality Payment Working Group

## **Webinar 1: Guest- Centric Payments**

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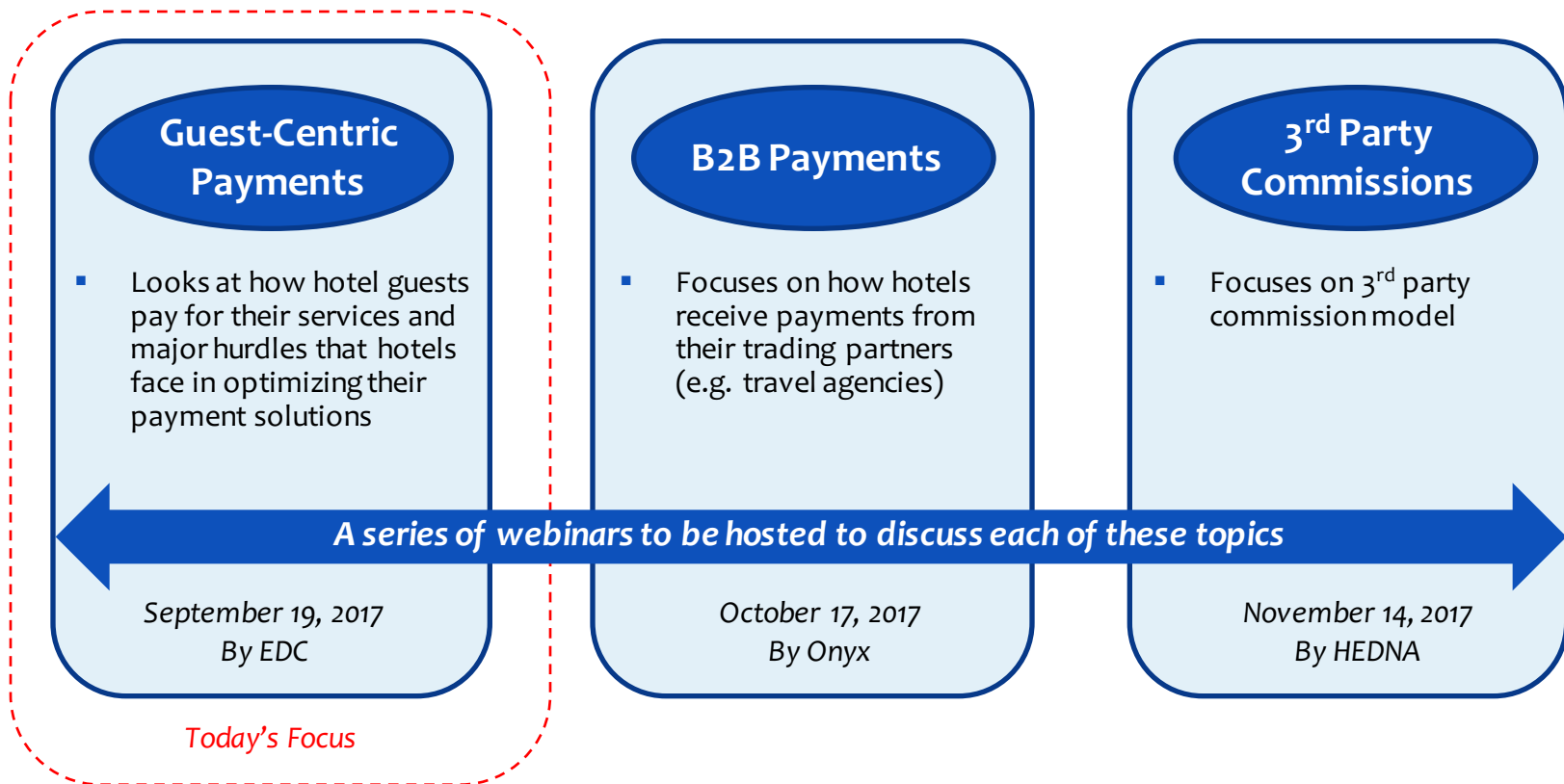
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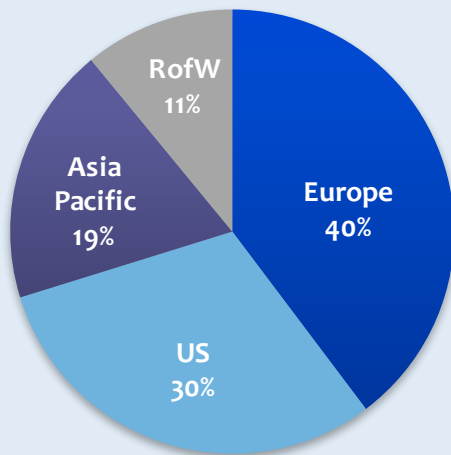
# HEDNA's whitepaper addresses complex payment processing issues in the hotel industry

The objective of this HEDNA's whitepaper is to gain a better understanding of the current situation about payments in the hospitality sector, available solutions that would address the key pain points, and potential future best practices for three important areas:



# The hotel industry is very fragmented due to business ownership structure

Global Hotel Spend Volume



- The global hotel industry revenue in 2016 was \$600bn USD
  - 80% was room spend
  - 20% was ancillary spend (an important area for growth)
- Europe and US (account for 70% of total global hotel spend) continue to represent the key regions for the industry



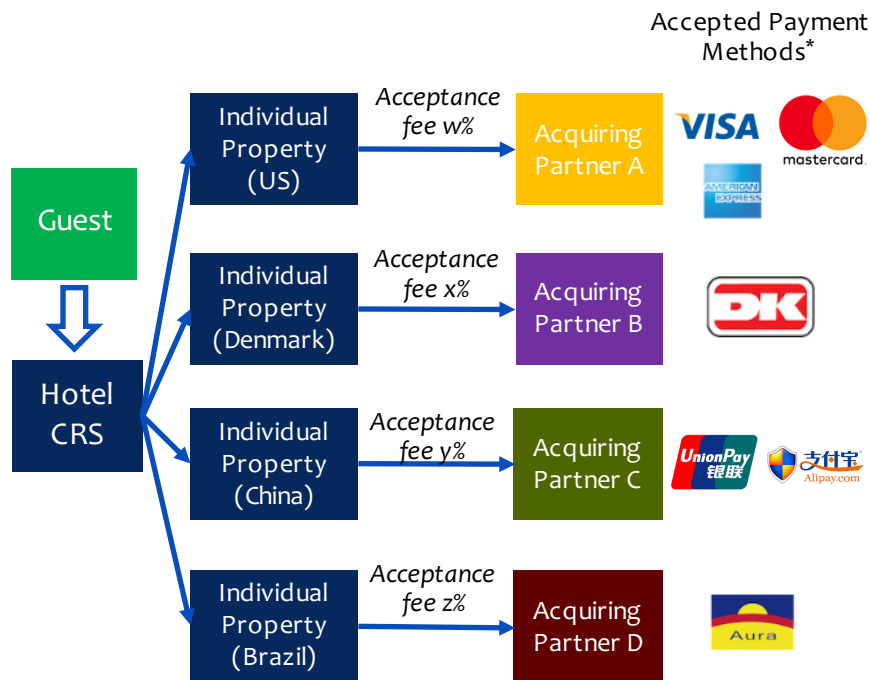
Most hotel properties are either managed, franchised or licensed



**Hence, the conventional hotel business models are more property-centric**

# While most hotels have a centralized room reservation system, they do not have a centralized payment processing solution

## Property-centric Payments



*This mechanism has created four major hurdles for hotels to optimize their payment solutions and subsequently profit margin*

- 1 Payment acceptance
- 2 Multi-currency
- 3 Operational inefficiency
- 4 PCI compliance and security

\*Note: This is for illustrative purpose only. Not all accepted payment methods corresponding to each country are shown in this chart

Source: EDC

# 1. Payment acceptance – to be able to accept any payment method from any channel that customers wish to use

## Trends

### Growth of mobile



- Higher customer expectation
- Need of consistent and continuous interaction before, during and after the trip

### Rise of international travelers



- 130M+ Chinese travel abroad per year
- Need to accept local payment methods (e.g. Alipay, China Union Pay)

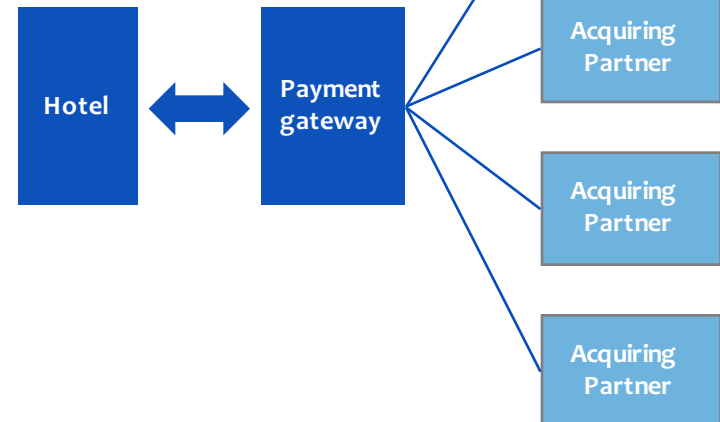
### AFOPs are getting popular



- Many customers in major local markets prefer to use alternative forms of payment

## Central Payment Processing Solution

Intelligent routing based on flexible business rules



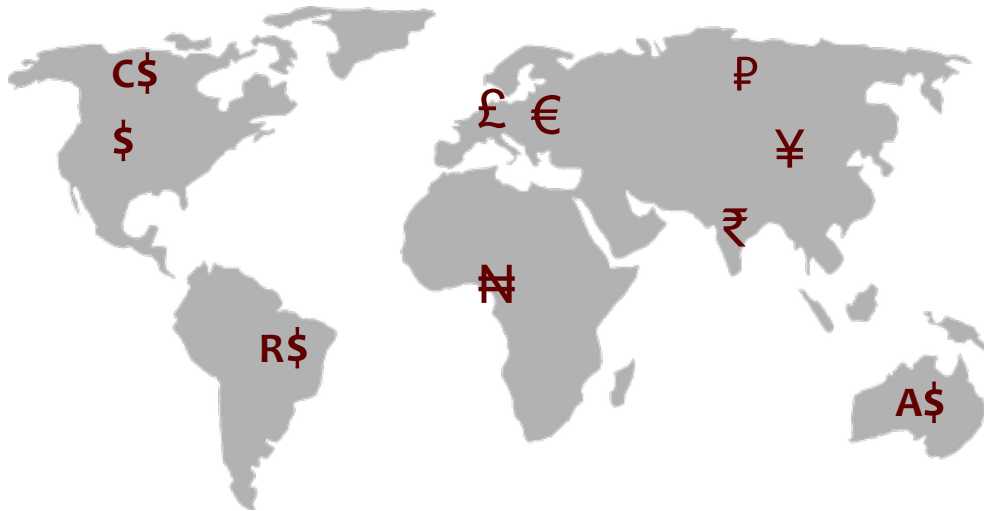
### Benefits:

- Easily accept various payment methods
- Achieve additional ancillary revenue streams
- Reduce operating complexity

Source: EDC

## 2. Multi-currency – to handle prices in different currencies when selling hotel rooms

**Major Hurdle:** Difficult to control final pricing due to currency fluctuations

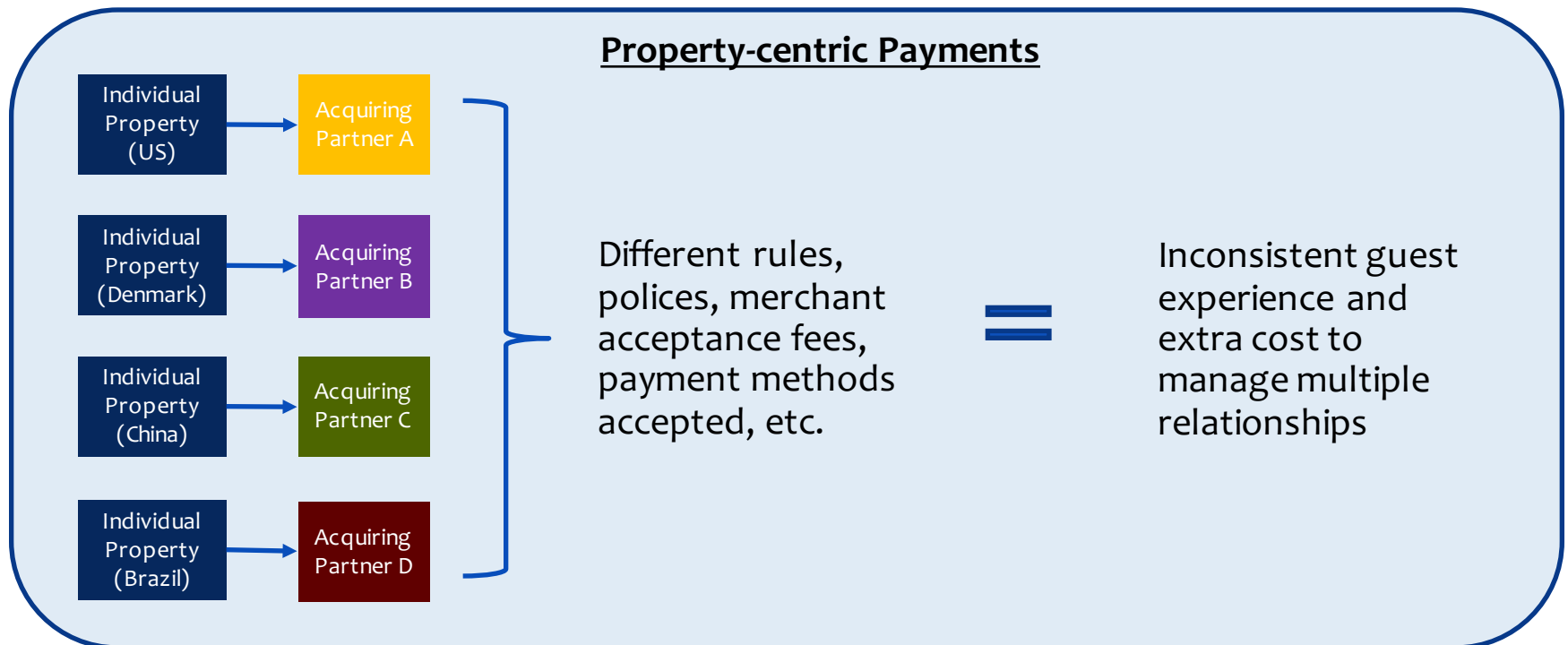


Hotels can potentially tackle this hurdle in two ways:

1. Present prices upfront in the relevant currency
2. Charge customers at the POS in the relevant currency

Under the centralized payment system, the hotel chain can also set global standard rules or policies in how they handle currency exchange. This will lead to operational efficiency and consistent guest experience across all properties

### 3. Operational inefficiency – to have corporate control or overview of numerous overlapping acquiring relationships



- When the payment process is done centrally, the chain can reduce operational complexity by optimizing the number of relationship with service providers
- It can run a Request for Proposal (RFP) process to select their PSP(s) and their acquiring bank(s) with the idea of consolidating their relationships to an efficient number of payment partners

## 4. Compliance and security – to be compliant to the Payment Card Industry Data Security Standard (PCI DSS)

Hotels are more concerned about the following than card fraud

Card security in the context of PCI DSS compliant

Cost of becoming/remaining PCI DSS compliant

Cost of any security breach

By migrating toward a guest-centric, centralized payment system, hotels can

- Set up better fraud prevention policies, processes and tools based upon global situation
- Better manage PCI DSS compliant issues with a smaller number of connections and players involved



# Potential future best practices that hotels can consider as they move toward a guest-centric approach



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