



DELIVERING AN
OMNICHANNEL

CONSUMER PAYMENTS EXPERIENCE

IN THE HOTEL
INDUSTRY

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Delivering an Omnichannel Experience in an Alternative Payments World Requires a Guest-Centric Approach

DISRUPTION IN PAYMENTS MEANS DISRUPTION FOR HOTELS, TOO

On a global scale, payments are undergoing a period of unparalleled disruption. This is most apparent in the explosion of new payment apps and options being presented to customers, but there are also seismic changes going on beneath the surface. The world of payments, traditionally controlled by banks, is being opened up to new players and business models. New technologies are leading to faster and cheaper processing; international borders are becoming less of a barrier as consumers expect to be able to travel without disruption; and with expectations set high by global eCommerce they are less inclined to tolerate companies that don't rise to the challenge of giving them the experience they want.

In this paper, we will look at how guests' growing preference for Alternative Payments is going to disrupt the standard credit-card-based omnichannel journey, and how hotels should embrace this disruption. We will look at the reasons why credit cards are so integral within the industry today, and how guests' choices of payment types are shifting due to changes in demographics and the influx of mobile technology. We will also explore the potential benefits of embracing this shift beyond simply enabling guest choices, and map out the steps to respond strategically.

WHY FOCUS ON THE OMNICHANNEL EXPERIENCE?

Customer satisfaction is probably more important in the hospitality industry than any other. There are many opportunities to impress (or disappoint) throughout a guest's stay. In many ways, the digital journey that a guest takes to get to the hotel matters just as much as the stay itself, whether it's building the guest's anticipation for a special trip or providing a seamless experience for a seasoned traveler. This journey will almost invariably begin with research and booking over an electronic channel, meaning that a coordinated, smooth and easy omnichannel customer experience is vitally important.

Payments are critical to this journey. While other industries are busy designing journeys that completely remove payments as a step, payments in hospitality offer numerous jarring speedbumps. One easy example is how payment data is taken both when booking and when checking in. The payment may be processed at either of these points, or at checkout, in the middle of the stay (for incidentals) or at some point before the guest arrives and after the booking is made. It is common that guests will have to present their credit card at several stages of the journey, rare that they can pay with anything other than a card, and almost unheard of that their payment data will be used to make their journey easier the next time they stay in a hotel belonging to the same chain. Not only are payment choices limited, but they are also inconsistent – and that needs to change.

SO WHY NOT JUST ADD NEW PAYMENT TYPES?

Part of the challenge that the hospitality industry needs to address is that the status quo for guest payments is already pretty good, obscuring the case for change. Credit cards form the backbone of consumer payments in hotels, and for over 30 years have contributed to a relatively smooth guest journey. The same could be said of most industries, especially those that rely on purchases being made remotely by phone or online, but within hospitality the relationship is especially deep and enabled by three key features of credit cards that other payment mechanisms lack: their ubiquity, their ability to defer processing of a payment, and the implicit credit guarantee they carry.



Ubiquity: The global dominance of credit cards among key markets of wealthy Western travelers has meant that hotels can afford to ignore other payment types. Credit card schemes issue identically branded and interoperable cards all over the world, meaning that international travelers don't have to think twice about how they can pay. Likewise, while the hotels they stay in might offer alternative payment types based on the needs of local guests, they have not had to concern themselves with their international guests who are all but guaranteed to be carrying a credit card. Indeed, until relatively recently, there have been relatively few credible alternative payment types to even consider accepting.



Deferred processing: While credit cards have evolved technically, each one is still fundamentally a plastic rectangle with numbers on. And if someone takes note of these numbers, they can use them to make a payment. This means that the card details given at booking can be saved for future processing which means that a reservation can be guaranteed by the hotel before the payment is processed, because it has a pretty solid guarantee that it will be able to get the money in the event of a no-show.



Credit-worthiness guarantee: Being credit products, credit cards are only issued to people who have passed a range of background checks to confirm that they exist and are credit-worthy. This provides another implicit guarantee for hotels, and again enables a guest journey in which card details can be taken at booking.

Unfortunately, alternative types of payment don't work the same way as credit cards. Wallets like AliPay or bank transfer-based payments like SOFORT require the guest to be present when the payment is authorized, then push the money immediately to the recipient's account. There is no delayed processing. While other industry sectors are more than happy to receive immediate payment with minimal credit risk attached, this poses a significant problem for most players in the hotel industry. The simple fact is, most hotel groups are unable to take a payment immediately once a reservation is made, so accepting any payment form other than a credit card becomes a big challenge.

HOTEL CHAINS DON'T TAKE PAYMENTS: THE MERCHANT OF RECORD PROBLEM

Hotels process payments; hotel chains do not. When a guest types in her credit card details on a chain's booking website, those details are then passed to her destination hotel so that they can process the payment in due course. As a general rule, this means that the guest's omnichannel journey is relatively painless – there are some snags, but the overall experience is smooth enough to have remained pretty much the same for 30 years. Due to the nature of credit card security, processing these details without the guest present would incur extra charges, so many hotels will choose to wait until the guest checks in (and presents her card again) before actually requesting any payment. This delay is acceptable to the hotel because they know they have enough details to claim payment for the reserved room even if the guest does not show up.

Accepting any other form of payment when booking online would disrupt this model. Without a credit card, the hotel would lose their guarantee of payment and become open to credit risk. The obvious answer would be for the hotel chain's booking site to take the actual payment up front, but this would mean that the chain, rather than the hotel, is acting as Merchant of Record for the transaction, which brings problems. These problems fall broadly into four categories: operational (support, complaints, chargebacks, invoicing); financial (new cashflows, transaction and banking fees, global banking arrangements, accepting settlement risk, taxation implications); legal (liability, compliance, new entity structures); and security (data security, fraud management).



THE CASE FOR CHANGE

Despite the generally acceptable status quo in hospitality consumer payments, it is time for hotels to start thinking about making some major changes. The rise of Alternative Payments types is one reason, and another is the massive demographic shift globally, which will see a huge rise in travelers from countries that have never had the same dependency on credit cards as the typical Western traveler of the last few decades. There are also potentially strong financial benefits to be achieved by embracing Alternative Payments, and even in becoming the Merchant of Record.

Many of the potential benefits can be achieved through a series of tactical solutions rather than through wholesale change; however, this approach risks greater complexity, as one fix is layered on top of another. Instead of adding more sticky tape, now is the time to accept that the future requires a significant change in how payments work within hospitality. A wholesale shift from hotel-centric to guest-centric payments will be required to enable a truly omnichannel guest journey, and over the next few pages we will explore how to make this happen.

Complex Challenges Facing the Credit-Card-Dependent Hotel Industry

The hotel industry has been dependent on credit cards for payments for decades, but now new technologies and consumer demands have converged to open the door for Alternative Payments, and consumers are rapidly switching to these new payment forms. The popularity of Alternative Payments – a euphemism for any non-card-based payment option given to consumers – is driven by new service offerings that integrate payments into the consumer journey, as well as by lower costs, greater control and easier management.

The hotel industry has been slow to adopt Alternative Payments and faces greater operational challenges than other sectors when doing so. But it also faces a greater demographic challenge, with its core target market of international travelers increasingly coming from countries that have a lower affinity for credit cards.

TECHNOLOGY & REGULATION: THE ENABLERS OF ALTERNATIVE PAYMENTS

Technology and regulation are the two major driving forces that are enabling the payments revolution.

The technological enablers are the most visible. Smartphones are at the heart of ‘mobile payments,’ with every new advance in their hardware being purposed to a new innovation in payments. Their connectivity means that payments can be authorized immediately and confirmation sent to a merchant; ‘proximity payments’ are enabled by QR-code reading cameras, NFC-enabled chips, Bluetooth and even GPS signals; payments are secured with tokenized vaults for cryptographic keys and integrated biometric readers. The most significant technological development, however, must be the app store. In one stroke, new payment schemes can be rolled out to millions of consumers and merchants without any need to distribute hardware or gradually build a compatible network. Innovative new payment schemes have previously always faced the barrier of massive up-front investment to achieve a critical mass of users; now doing so can be as simple as publishing an app.

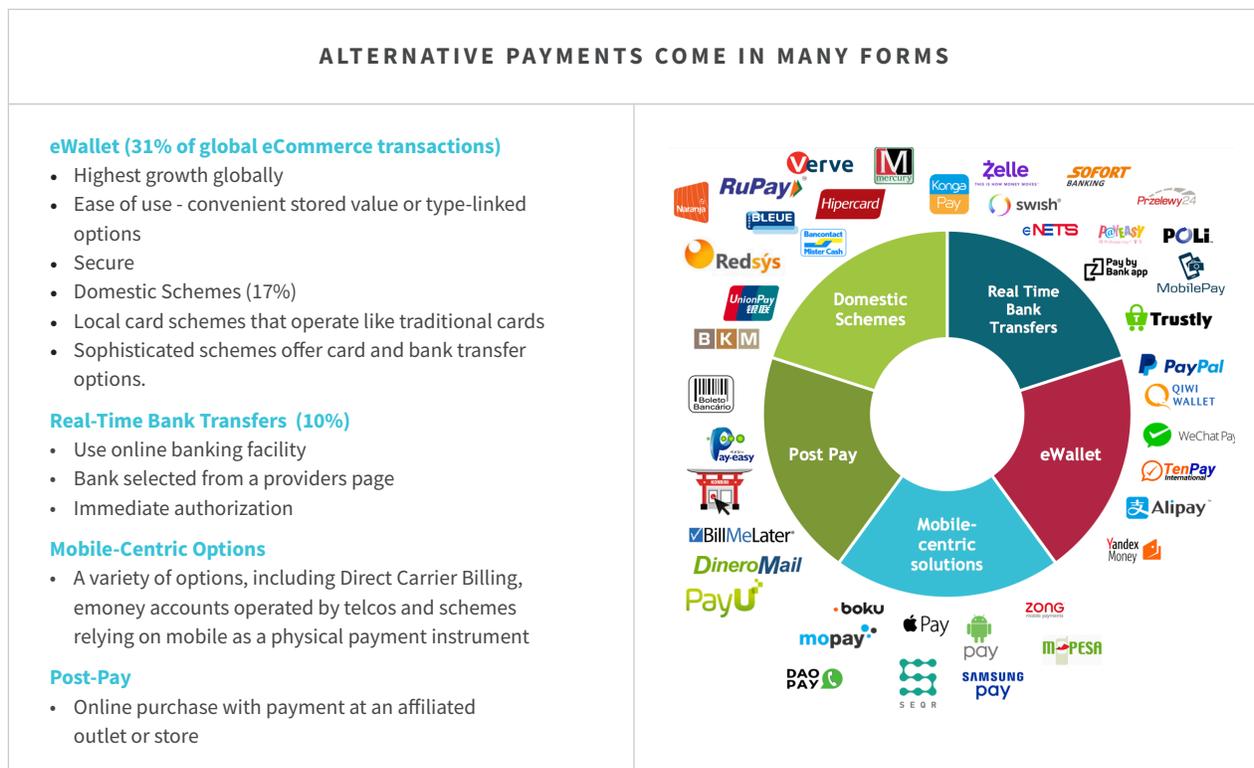
It would be wrong, however, to see this as a technologically-determined inevitability. Indeed, some of these developments, such as credit card tokenization and technical access models for core scheme infrastructure, have only been developed in direct response to actual or threatened regulation and the new wave of competition arising from it.

Around the globe, regulators have been breaking down the barriers to entry for new payments providers, challenging the traditional monopolies held by banks as well as a handful of global schemes and processors. Open Banking initiatives have been designed to encourage innovative new payments business models; interchange fee regulations restrict monopolistic practices by the incumbent card schemes; government-backed investment in core infrastructure is creating a new generation of instant payment schemes and opening access to a wide range of new players.

ALTERNATIVE PAYMENTS COVERS A WIDE RANGE OF PAYMENT TYPES

The smartphone has enabled a generation of new payment types. ‘Mobile payments’ has become a term that conflates several of these, covering a range of use cases including using the phone as the payment device at a physical counter (the so-called ‘proximity payments’ referred to above), using it as a type of wallet to store money that can be used to make payments online, or using the phone to host an app that allows the user to transfer money from an online account.

Not all Alternative Payments require a mobile phone. Local debit card schemes are an obvious one, and there are also pre-pay schemes that require a voucher to be purchased offline, post-pay schemes (paying an invoice in cash at a local terminal or store), and a wide variety of others which have been developed in different countries.



THE LOCALIZED NATURE OF PAYMENTS

It is difficult for payment types to cross borders due to the need to establish a critical mass of users in the target market: a supplier must persuade both customers and merchants to accept the payment type, and quite possibly local banks, regulators, popular handset manufacturers and phone companies as well. A payment scheme must be focused on a particular community to succeed, and that means Alternative Payments tend to be local payments and differ in every country.

This is particularly challenging for the hospitality industry. A local hotel can accommodate local payment types, but will not be able to provide the alternatives preferred by international travelers. Barriers include the constraints of the local market of acquirers, as well as the sheer breadth and ever-changing nature of the range of payments available.

	JAPAN	MEXICO	BRAZIL	CHINA	INDIA	GERMANY	RUSSIA	USA
TYPE	SCHEME USED							
GLOBAL CARD SCHEMES	54% VISA, JCB, MASTERCARD, AMERICAN EXPRESS	39% VISA, MASTERCARD AMERICAN EXPRESS	21% MASTERCARD, VISA, AMERICAN EXPRESS	1% MASTERCARD, AMERICAN EXPRESS, JCB	21% VISA, MASTERCARD, AMERICAN EXPRESS, JCB, DINERS	24% VISA, MASTERCARD, AMERICAN EXPRESS	43% VISA, MASTERCARD, AMERICAN EXPRESS	59% VISA, MASTERCARD, AMERICAN EXPRESS, DISCOVER
DOMESTIC CARD SCHEMES	2% MIZUHO, SUMITOMO, UFJ, BANK LTD	20% BANAMEX, BANORTE, SANTANDER	48% ELO, HIPERCARD, AURA	22% UNIONPAY, PREPAID CARDS	3% RUPAY		1% SMP BANK, ICB, ROSSIYA AND SOBINBANK	
EWALLET	1% PAYPAL, SOFTBANK, WEBMONEY	5% PAYPAL	3% PAYPAL	60% ALIPAY, TENPAY, (WECHAT) LAKALA, UMPAY	8% PAYU, WALLET, MOBIBIKWIK, CITRUS PAY	10% PAYPAL	56% QIWI, VANDEX, WEBMONEY, PAYPAL	26% PAYPAL, ANDROID PAY, APPLE PAY
BANK TRANSFER	14% RAKUTEN BANK AND JAPAN NET BANK			6% VARIOUS	26% HDFC ONLINE, CITIBANK NRI, ICICI BANK, ETC	16% SOFORT, GIROPAY, SKRILL		
DIRECT DEBIT						35% SEPA-ELV		13% ACH
POSTPAY/ OPEN INVOICE	17% KONBINI AND PAYEASY		24% BOLETO BANCARIO			15% KLARNA FAKTURA, PAYOLUTION, INVOICE		
CASH ON DELIVERY	10% YAMATO, SAGAWA	8% C.O.D		7% C.O.D	26% C.O.D.			
VOUCHERS/PREPAY		18% OXXO, 7-ELEVEN, FARMACIAS DEL AHORRO, ETC		2% VARIOUS				
OTHER	2% VARIOUS	10% VARIOUS	4% VARIOUS	2% VARIOUS	16% VARIOUS			2% VARIOUS

A DEMOGRAPHIC SHIFT AWAY FROM CREDIT CARDS

It might be tempting given this complexity to just stick with the tried-and-tested credit card. Unfortunately for the hotel industry there are two reasons why this is likely to be a short-sighted strategy: the declining popularity of credit cards, and the increasing purchasing power of travelers from emerging economies in which other payment types dominate. For example, in China only 10% of eCommerce payments are made using a credit card.

Credit cards everywhere are in decline. Worldpay, a global payments processor, forecasts that by 2020 credit card usage for online payments will have dropped to 20% (see Figure 1. below). There is no clear winner amongst alternatives to cards as to which will benefit, as different regions will see growth in different local payment types. For example, across Europe Open Banking regulations implemented in 2018 will cause a massive surge in apps offering direct transfers from bank accounts, which will bypass credit card schemes.

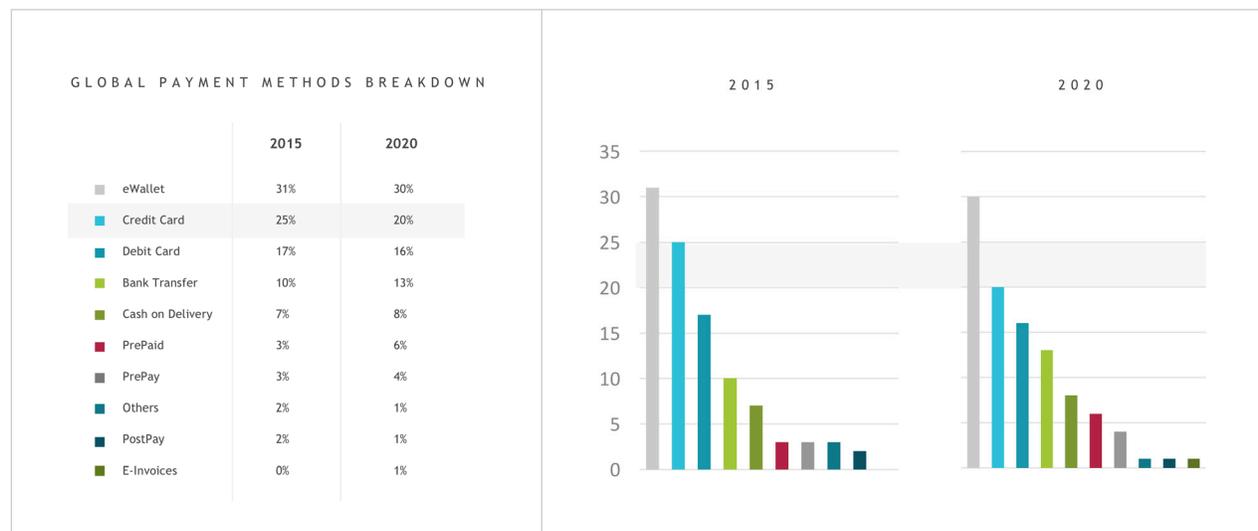
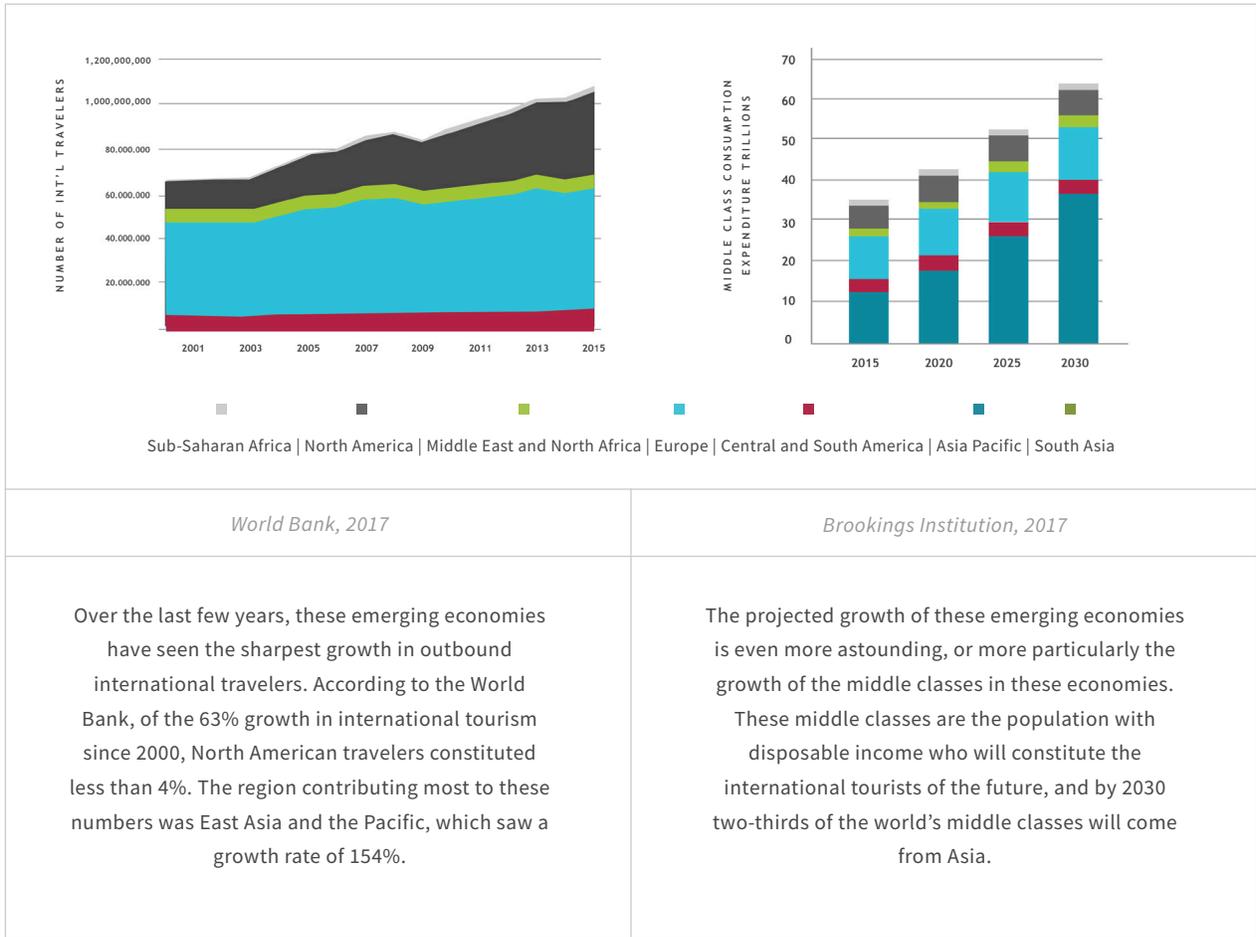


Figure 1. | Worldpay's Global Payments Report 2016

This decline is going to affect payment choices for retailers across every industry, but will have more of an impact on hotels than other areas because of a second factor: more guests will be coming from countries which are not credit card dependent.



Over the last few years, these emerging economies have seen the sharpest growth in outbound international travelers. According to the World Bank, of the 63% growth in international tourism since 2000, North American travelers constituted less than 4%. The region contributing most to these numbers was East Asia and the Pacific, which saw a growth rate of 154%.

The projected growth of these emerging economies is even more astounding, or more particularly the growth of the middle classes in these economies. These middle classes are the population with disposable income who will constitute the international tourists of the future, and by 2030 two-thirds of the world's middle classes will come from Asia.

With the declining popularity of credit cards, the explosion in regional payment types and the shifting demographics of international travelers, it is time for the hotel industry to focus on how it can address this payments challenge.

What Will the Future Look Like for Hospitality Payments?

We have seen how payment options for guests are focused on credit cards, which can help to smooth out the guest journey by, for example, enabling delayed payment and providing hotels with a partial guarantee of future payment. Credit cards threaten to be overtaken, however, and failing to offer guests a choice of payment types is just one of the jarring moments in a guest's payment journey that needs to be addressed.

THE HOTEL INDUSTRY HAS NOT EMBRACED ALTERNATIVE PAYMENTS

We conducted research looking at the payments journey offered to guests by 23 hotel chains and OTAs across 17 different countries. We looked at payment types offered, and (by changing user profiles and spoofing IP addresses) how these varied by guest origin. We found that:

- Mastercard and Visa were the only forms of payment accepted by all hotel chains, irrespective of where the selected hotel is located
- The other credit card types followed soon after, with American Express and Diners Club common and Discover and JCB close behind
- China Union Pay was less frequent – and generally only available as an option in China and Singapore
- Only one Western chain offered AliPay as an option for guests staying in China, despite this being the most popular payment type in China
- Invariably among hotel chains, payment types offered varied according to where the destination hotel was located
- Some OTAs, however, were starting to introduce payment options based on the origin of the guest making the booking, so-called 'guest-centric' choice
- Many hotel chains failed to run even the most basic checks on credit card details entered to ensure they were valid.

THE GUEST PAYMENT JOURNEY IN HOSPITALITY IS VERY COMPLEX

The payments journey in hospitality has not fundamentally changed for decades, and contains numerous jarring qualities and moments that can damage a guest's experience:

LACK OF CHOICE

Credit cards are king, specifically Visa and MasterCard, the two main global brands. Other payment types are rarely offered.

INCONSISTENT

Payments are 'property-centric,' meaning that each hotel manages payments in its own way. This can lead to different payment types being offered by hotels in the same chain, along with variations in how and when payments, deposits and refunds are processed.

REPETITIVE

There can be many payment stages in a typical hotel stay, and payment details may need to be captured at each one.

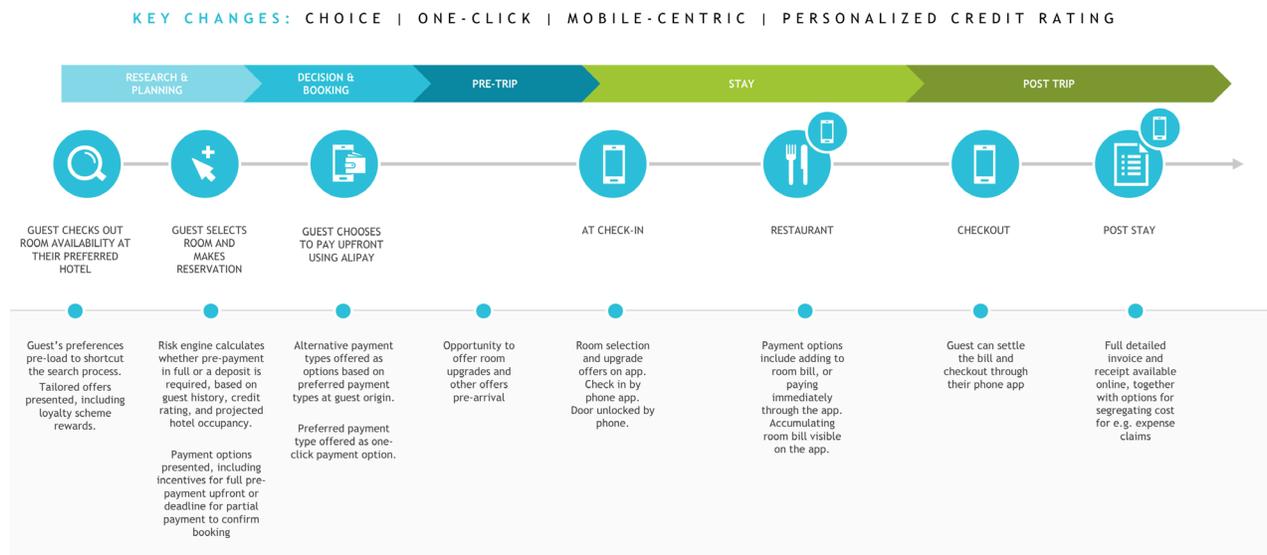
IMPERSONAL

Guests are expected to fit around the standard processes for payments, irrespective of their previous interactions with the hotel chain. Payment preferences are not stored, payment details are not retained, and rarely are any credit-risk-based judgments made on whether a loyal guest's booking and checking journey can be streamlined.



WHAT A GUEST JOURNEY COULD LOOK LIKE IN THE FUTURE: THE GUEST-CENTRIC APPROACH

There will be a different answer for every hotel chain, based on its interpretation of how technology, the payments ecosystem and guest expectations are evolving – and exactly how it wants to respond. If we accept the challenge of redesigning a guest journey that offers greater choice, a consistent omnichannel experience across all hotels in a chain and personalization, we might end up with something like this:



There are many aspects of this proposed next-generation guest journey that will be familiar – the use of mobile phones to unlock a smoother guest experience is common in any such exercise. One key aspect which is worth bringing out is the need for consistency irrespective of where the guest is staying, a so-called ‘guest-centric’ approach, which is much more difficult to achieve in payments than in other areas of experience management. The benefits are clear though: new payment types can be easily added irrespective of whether they are commonly used locally where the hotel is located; guest preferences (including preferred payment type) will be stored in one place; guest payment details can be taken once and never need to be re-entered; guest journeys will be the same wherever they stay; and the guest relationship, including judgments about credit-worthiness, will be managed at brand level.

GUEST EXPERIENCE IS ONLY THE TIP OF THE BENEFITS ICEBERG

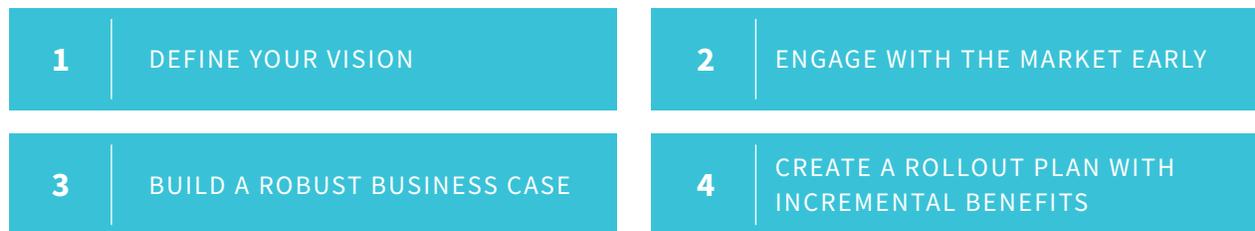
We are used to being told that the customer-centric experience is everything, but inevitably there is a bottom line of costs that needs to be justified, and an increased NPS will only get you so far. Introducing new payment types, and especially doing so through a guest-centric model of handling many aspects of the payments centrally rather than at each hotel, can bring huge potential benefits to the business:

- **A shift away from OTA channels:** There is increasing evidence that consumers will switch to a different provider if they cannot use their preferred payment type, and currently if a hotel booking site does not offer what a guest wants she has an easy alternative: book the same room through an OTA that does. The increased fees payable to the OTA make a huge dent in profits, so deterring this desertion is important.
- **Transaction fees:** Credit cards are expensive. Their interchange fees vary, but for an international traveler paying in a different country a processing fee of 4% would not be unusual. Alternative payment types vary with their fees, but are typically much lower – often just a flat fee of a few cents for a bank transfer scheme. Managing payments centrally makes a big difference here, too, as it allows for the payment to be acquired locally to the guest irrespective of where they are staying, removing any cross-border charges, and potentially reducing charges to around 1%.
- **Cashflow benefits:** Alternative Payments are immediate payments, and that means that a booking made using one will result in the funds being transferred immediately to the hotel. Credit card payments are often not taken by the hotel until the guest arrives or even checks out, and are then subject to the delays imposed by each hotel's acquirer. This means that the hotel can potentially be benefiting from having those funds available for many weeks longer.
- **Credit risk and chargebacks:** Taking a payment by credit card exposes hotels to chargebacks and costly disputes. This is exacerbated in the case of no-shows, when payment may have been taken without the cardholder present and is therefore less likely to be looked on favorably in the event of a dispute by the card schemes. Alternative payment types, with their immediate finality of payment and irrefutable authorization protocols, provide far less opportunity for this type of credit risk.
- **Operational efficiencies:** There are plenty of areas for improvement in terms of the manual capture, pre-authorization and processing of card payments at every stage of the journey, not to mention the laborious procedures around disputes. In this category one should also consider the IT security costs of handling credit card details; although it would be difficult to remove these entirely, they can certainly be substantially reduced through alternative payments taken online.
- **Hotel acquisition and attrition rates:** Substantial improvements in how payments are taken and handled will be very attractive to hotel owners and operators, especially if these improvements make one particular brand stand out from the others in the market. Enabling a guest-centric payment model could be an add-on service offering, which would reduce staff costs, improve loyalty and increase the profitability of every booking.
- **Up-sell potential:** Encouraging early payment through offering alternative payment types will make guests more likely to purchase upgrades at check-in.
- **Cross-sell potential:** If payments are taken at booking, this opens the door to the sale of additional services and products, such as installment payments or gift vouchers.

How to Build & Enhance an Omnichannel Payments Capability

It would be possible to adopt a short-term tactical approach to accepting key alternative payment types, and some hotels have experimented with doing this. One-off deals with a particular scheme in a particular location, a separate booking front-end tacked onto the branded website, new legal entities covering specific scenarios are all very well, but they miss the bigger picture. Payments are changing, and the hotel industry needs to change too. Anything else will be much more expensive in the long term and add to the complexity of back office systems, which are already complicated enough.

Don't just look at immediate pain points. Try to look beyond the five-year horizon of regulatory and technical disruption. A strategic approach should set a vision for what you think the world will look like in 10 years and how you want to compete in that world, then define steps to help you get there while reaping incremental benefits. There are potentially big adjustments to be made in order to achieve significant change, though there are also big benefits if you can get it right. There are four steps that need to be taken to build and enhance an omnichannel payments capability:



1. DEFINE YOUR VISION

The first step is to define what a successful end-goal looks like. This can be described in terms of the target guest journey, but will encompass much more than that, including the enabling systems, processes, legal structures and relationships required to make the whole thing work. At a more fundamental level, you will have to decide what you think the future landscape will look like with guest expectations, guest profiles, competition, enabling technologies, services and legislation all combining to make the vision you set out one which will deliver value.

The goal will be ambitious, so embrace a broad scope when considering the range of services and relationships that will be affected. Your vision should be unfettered by concerns about how you are going to get there – that will come later – and so don't think in terms of current constraints.

Finally, you should set out what the ideal operational and technical solution will be to deliver the vision you have set out as if starting from a blank sheet. Payments are tightly integrated with multiple systems and processes, including bookings, loyalty, invoicing, franchise fees and royalties, commissions, rewards, pricing and regulatory reporting, to name just a few. Don't get bogged down by all of these integrations in your vision – start out with a goal to make your operating model as elegant and simple as possible so that you have the flexibility in the future to adapt to new requirements when they arrive.

2. ENGAGE WITH THE MARKET EARLY

You do not have to become a payments expert to do this. There is already a rich market of suppliers-Payments Services Providers (PSPs), who have experience helping multi-national organizations, and are motivated to maintain and grow that expertise. You should start identifying which of these will become your strategic partners and aim to invest in long-term relationships.

A key reason for engaging early will be that these PSPs could help to develop new solutions, which will simplify your designs for a future operating model. There are several models that could work and are used across other industries already, the two most significant being:

- **An agent model**, in which the hotel chain acts as the agent connecting guests to hotels and takes the guest's payment, and then sends funds to the hotel upon completion of stay. This model is familiar to the industry as some OTAs do the same already, but would probably require legal shifts in terms of the liability and Merchant of Record structure.
- **A marketplace model**, in which the hotel chain introduces guests to hotels then handles the payment on behalf of the hotels in their network. Many industries operate using this model, which offers benefits to the marketplace provider who is merely facilitating the transaction and is therefore not liable, as well as advantages to the merchants in that payments are handled for them seamlessly (and at bulk discount rates).

In practice, it is likely that neither of these is perfect for the hotel industry, as the international nature of the business brings greater challenges around both becoming a Merchant of Record and operating a marketplace. Rather than rushing into a procurement based on an existing product set, aim to evaluate providers based on their knowledge of your business and the industry, and their willingness to grow their services to support your ambitions and vision.

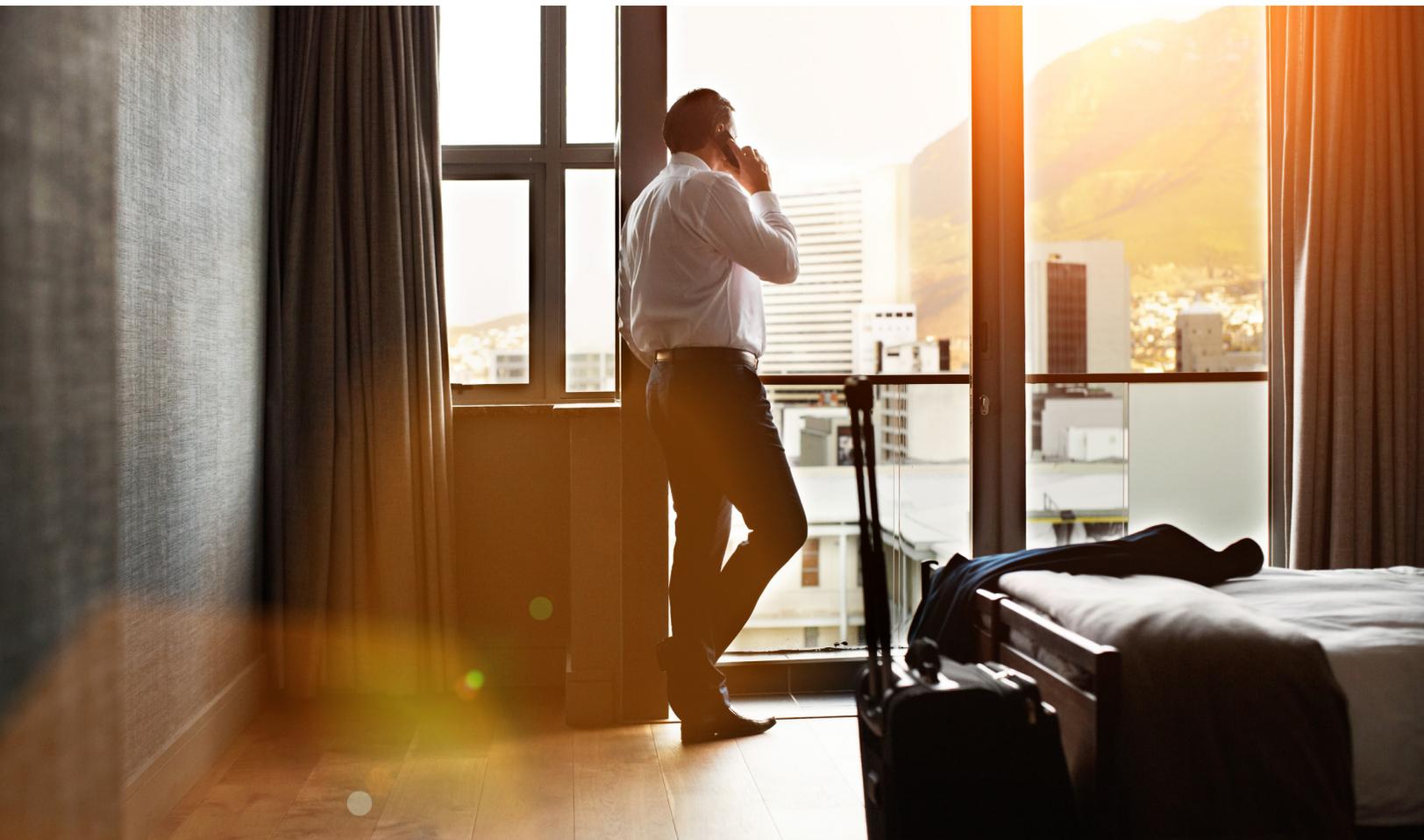
3. BUILD A ROBUST BUSINESS CASE

We explored some of the advantages that could be achieved beyond simply improving guest experience, and you will need to build a robust framework for modeling these against future potential scenarios of growth, customer behavior and operational savings.

You will also need to be realistic about the costs and challenges involved. Depending on the operational model you go for (and there may be multiple across different geographies), there will be significant changes to the capabilities required. Many of these could probably be outsourced to partners with operational payments expertise, but there will be no one-size-fits-all approach here. You should always aim to keep whichever capabilities in-house you think will be your differentiators, whether they relate to being the most efficient, providing the greatest guest experience, or simply being at the cutting edge of integrating new technologies.

As a starting point, you should think of these challenges in terms of:

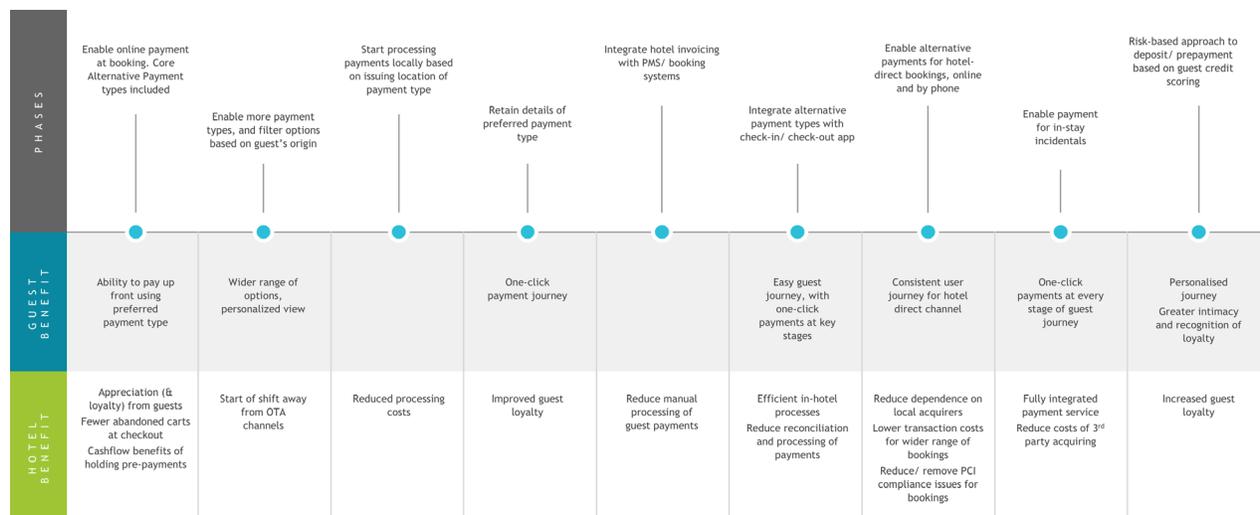
- **Operational requirements:** You will have to support a range of services related to every stage of the payments journey, especially the manual processes required when things go wrong, such as complaints handling and chargebacks. This will involve managing relationships with a variety of participants, from supporting guests and hotel staff to mediating disputes with payment schemes and banks. Settlement risk will introduce a new area of operational risk to be managed, with additional controls requiring greater understanding of guests and a mature approach to assessing the risks of each booking in real time.
- **Financial requirements:** New cashflows will require changes to invoicing and billing mechanisms, but also to the banking arrangements, which will allow you to accept different payment types globally. There could be tax implications to accepting payments, which will vary by country or state, and new contractual arrangements to cover the payment services being offered and the payment of transaction, banking, remittance and exchange fees that may be incurred.
- **Legal requirements:** Accepting payments from guests may result in a shift in legal liability away from the actual hotel which delivers the service, which will require a rethinking of contractual relationships between all parties. Alternatively, handling payments on behalf of hotels would require registration as a provider of payment services and the appropriate level of regulation associated with that, which will be different in every country. There may well be a need to set up new legal entities so as to align operational responsibilities and liability.
- **Security requirements:** Data security around the handling of payment information will need to be reviewed, and new skills developed in assessing and handling potential fraudulent activity from guests and from hotel staff.



4. CREATE A ROLLOUT PLAN WITH INCREMENTAL BENEFITS

It will take time to achieve your target vision, and will probably require changes to commercial and sourcing arrangements, which will take years to roll out. It is important to structure the rollout in a way that, wherever possible, creates incremental benefits for all stakeholders at every stage so as to get immediate returns on investment and ongoing incentives to carry on with the delivery. You should be prepared to build in quick-wins along the way, even if they are not always strategic.

One way is to create a high-level, phased rollout plan, with benefits for stakeholders identified at each stage.



It is important that benefits are delivered incrementally to all stakeholders so that major strategic change consists of digestible and achievable incremental improvements.



Conclusion

These are exciting times for payments, and as we've seen, consumers are responding to the unparalleled choice in payment methods by moving away from traditional forms such as credit cards. The hospitality industry can attain real financial benefits from seizing this opportunity, and providing a greater range of payment options for its guests as part of an omnichannel, seamless journey.

There are greater challenges for this industry than most, however, and achieving all of the potential benefits will require a long-term vision, significant operational changes and an approach to implementation which delivers benefits for all stakeholders at every step of the journey. Above all, it requires forging long-term relationships with the right strategic partners.

At EPAM, we have deep industry expertise in payments and the hospitality industry. Our strategic consulting capability is the front end to our core delivery capability, which features over 18,000 engineers across 25 countries. We have helped deliver solutions for many of the leading hotel brands and Online Travel Agencies, and would be delighted to bring our practical experience in implementing cutting-edge solutions to a discussion of your goals and challenges.



EPAM Systems, Inc. (NYSE: EPAM), a leading global product development and platform engineering services company, is focused on delivering results through best-in-class software engineering, combined with innovative strategy, consulting and design capabilities. With 23 years of experience in the information technology industry, EPAM's 18,000 people serve our customers in over 25 countries across North America, Europe, Asia and Australia. EPAM was ranked #8 in FORBES 25 Fastest Growing Public Tech Companies and ranked as a top information technology services company on FORTUNE'S 100 Fastest Growing Companies.

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