

# Opening the door to guest-centric payments

The opportunity for hospitality



amadeus

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# Foreword

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Hospitality brands have weathered a challenging trading environment that saw bookings decline **to an average of 50% of the pre-pandemic ‘normal’ throughout 2020**, and in some regions for even longer. Now the picture is far more positive with **Amadeus data** showing that global occupancy rates for April and May 2022 exceeded 2019 levels. As travel bounces back, the industry is focused on rehiring staff, reopening properties and, in particular, competing for leisure travelers that have represented an outsized percentage of returning guests so far during the recovery.

It's against this backdrop that hotels are lazer-focused on both attracting guests via revamped distribution strategies and offering a better experience at the property, with the aim of boosting loyalty and ancillary sales. But in my view, there's a window of opportunity for hotels to improve the guest experience.



**ANY HOTEL BRAND THAT'S SERIOUS ABOUT BUILDING A CLOSER, MORE MEANINGFUL, DIGITAL RELATIONSHIP WITH ITS GUESTS MUST ALSO GET SERIOUS ABOUT PAYMENTS**



**WE SHOULDN'T BE SATISFIED  
WITH SETTLING FOR WHAT  
ALREADY EXISTS TODAY**

Unless we rethink the payments experience, we're effectively asking guests to fit within our own legacy industry processes, rather than considering what's best for them. In an industry where delivering on the needs of the guest is our main focus, we shouldn't be satisfied with settling for what already exists today, but strive to deliver an experience equal or superior to what they expect from retail.

That's why Amadeus commissioned a study with the behavioral science experts at Innovationbubble to understand how guests feel about payments in hospitality, both consciously and nonconsciously. The results have been illuminating and add further weight to ongoing efforts in the industry for hospitality payments transformation.

But fixing payments isn't only about the guest. It's about the competitiveness of individual hotel brands, and it's also about the strategic market position of hotels more broadly. Unless hotel chains enable guests to pay easily and conveniently using their preferred payment method, the industry is likely to cede further influence to third-party intermediaries – that are increasingly making payments a priority.

Any hotel brand that's serious about building a closer, more meaningful, digital relationship with its guests must also get serious about payments.



**CONSUMERS CONFIRMED  
THAT PAYING AT THE HOTEL  
WAS MORE CHALLENGING  
THAN PAYING AT HOME**

## The guest view: Difficulty making payment undermines the hotel experience

The purpose of this paper is to prompt discussion about how we can better align hospitality payments to the needs of guests. To support this objective, Amadeus commissioned behavioral science specialists Innovationbubble to understand guests' conscious and nonconscious attitudes to paying at the hotel.

The research highlights some important considerations for hospitality brands. According to **Jamie Halliday, Strategic Insight Director at Innovationbubble**, two psychological principles are important; *"With **peak-end bias**, we tend to disproportionately judge our experiences based on the high and the low points, and with **negativity bias** we tend to attach greater significance to negative information or experiences. Both are important for understanding the role of payments for guests."*

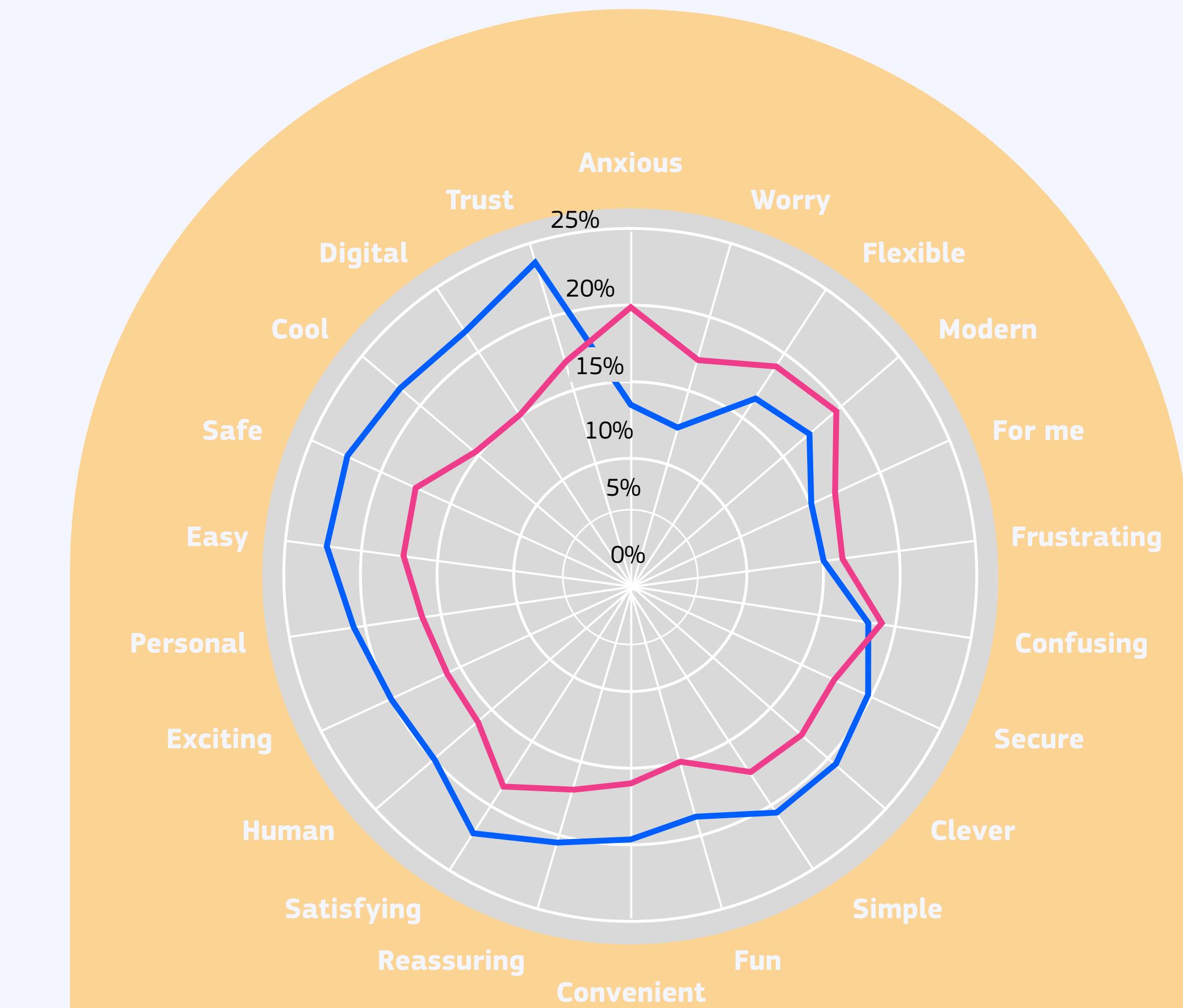
Notably, nonconscious association analysis uncovered that guests find paying for hotels significantly more stressful than making day-to-day payments at home. In fact, nearly twice as many consumers feel 'anxiety' and 'worry' when paying at the hotel compared to paying in their everyday lives. Similarly, consumers confirmed that paying at the hotel was more challenging than paying at home. Twice as many respondents associated 'easy' or 'convenient' with everyday payments, compared to making payment at the hotel.

## Onus on the guest to predict and mitigate payment friction

Whilst payment wasn't considered the most important factor in a hotel stay, it was deemed an important secondary priority. A priority with significant implications for the guest's overall experience, with 54% of guests stating they notice when it's difficult to make a payment.

Typical guest pain points include the inability to pay with their preferred method and uncertainty about whether a payment will complete successfully. Around 40% of guests experienced some kind of problem when paying at the hotel and a third of guests said they hadn't been able to pay with their preferred method during a recent stay.

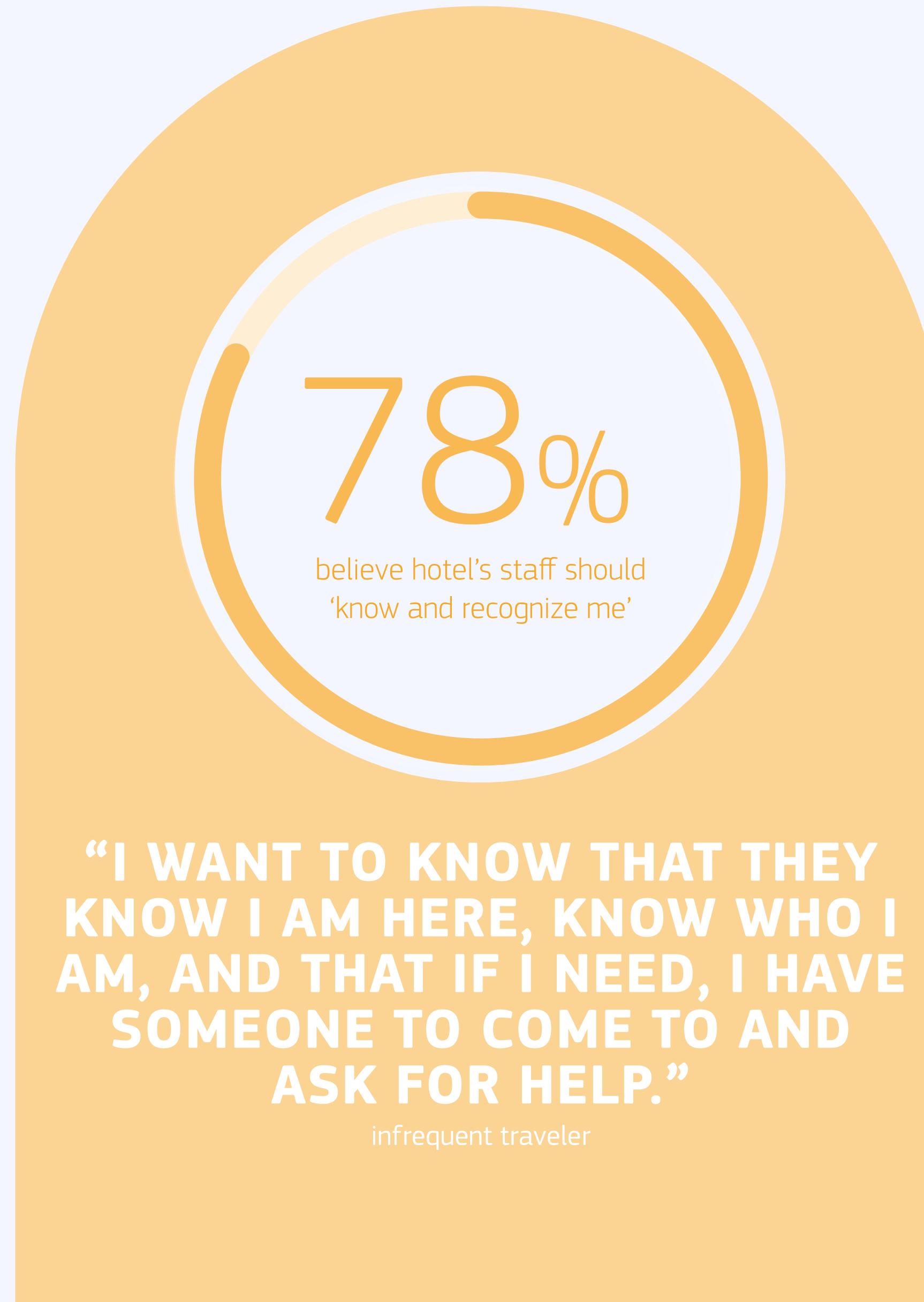
When Innovationbubble asked travelers how they mitigate the impact of payments problems, they found travelers were considering how to pay before setting off on their travels. Only 2% of guests said they simply take the payment method they use at home, with many resorting to cash in case of problems, and 16% actively confirming which methods the hotel accepts before traveling.



## TOWARDS GUEST-CENTRIC PAYMENTS IN HOSPITALITY

Payments at home

Payments in hotel



## The link between payments and the overall guest experience

Anyone working in hospitality understands the hospitality sector's purpose is to look after the guest and ensure they have the best experience possible. Unsurprisingly, guests also see this as the hotel's role, with 93% believing hotel staff should be friendly and approachable and 78% believing the hotel's staff should 'know and recognize me'.

These overall guest expectations for a quality experience spill over into payments. 66% of travelers said the hotel should have their card on file for ease of payment, and 90% believe they should be able to check their expenses in the hotel's app. These are fairly basic payments features in the current digital economy, but certainly not yet common to every hotel brand today.

According to **Halliday**, poor payment moments cut through, impacting the guest's perception of the overall stay; *“The customer's focus on the payment experience is surprisingly high, meaning that problematic payments cut through emotionally. They stay for a long time in the customer's memory and force them to mentally prepare for future issues”*.

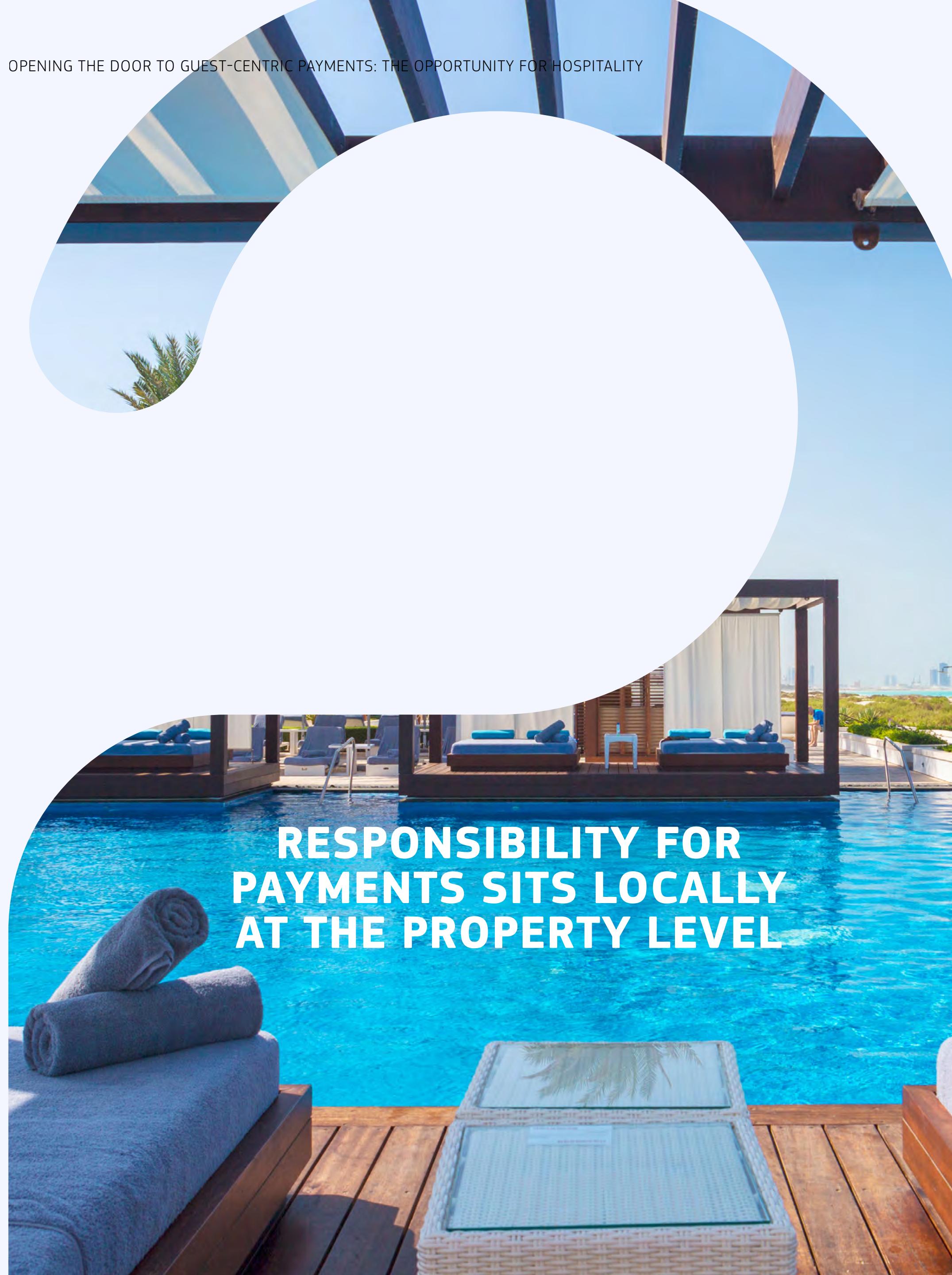
This 'negativity bias' should be of great concern to hotel brands that invest considerably in other elements of the guest experience, like the property, front-of-house service, ancillary services and CRM systems. In fact, 51% of respondents confirmed they pay active attention to the quality of the payments experience when staying at a hotel, with more than half of respondents noticing if it's difficult to pay.

### **Key takeaways from psychological research with guests:**

- International hotels are perceived as a 'safe haven' from the uncertainties of travel and **guest expectations for a seamless experience are high.**
- Guests find **paying at hotels more stressful and more complex than paying in their everyday lives** and attempt to mitigate this with preparation – not always successfully.
- Many guests experience problems paying at the hotel today, **with top concerns being payment method acceptance, security, foreign exchange, and reliability.**
- The ease with which guests can make payments **has a significant impact on the overall guest experience**, with a real risk of negativity bias souring a guest's overall perception of the brand.



**INTERNATIONAL HOTELS  
ARE PERCEIVED AS A  
'SAFE HAVEN' FROM THE  
UNCERTAINTIES OF TRAVEL**



**RESPONSIBILITY FOR PAYMENTS SITS LOCALLY AT THE PROPERTY LEVEL**

## Status quo & the case for change

As Innovationbubble's study demonstrates, there are widely acknowledged problems with how international hotel chains take payments today. These issues stem from longstanding structural industry issues that have, until now, proven challenging to overcome.

Properties are typically owned by individuals or franchisees, with international brands supplying services like marketing, property management systems and training, but not payments. Responsibility for payments sits locally at the property level, with managers needing to organize local relationships with technical suppliers and complex processes like chargebacks often handled by front desk staff at the property itself.

This set-up has evolved because hotels traditionally take payment at check-out, rather than the time of booking. This is a subtle but crucial difference from industries like aviation where carriers take payment as the booking is made, allowing them to handle payment digitally rather than via a physical terminal at the check-in desk. An airline can therefore deploy a single global payments platform across its international websites and direct channels, with significant merchandising, scale, and innovation benefits.

This situation puts hotels at a relative disadvantage in several ways but also means they have an opportunity to rethink payments and benefit from a modern approach.

Explore by  
clicking on the  
door hangers

# 01 Keeping up with new payment methods

Individual properties find it difficult to keep pace with the explosion in different payment methods, resulting in guests being unable to pay in the way they choose. **Research from payments aggregator PPRO** suggests that 77% of cross-border payments are now made with local digital payment methods and the firm has invested to aggregate hundreds of different options. Local hotels struggle to replicate this capability.

This problem is particularly acute for Chinese guests that prefer to pay with WeChat Pay, AliPay or China Union Pay cards, and are forced to pay in cash or to find alternative local methods when traveling. Or, the Chinese guest might decide to book through a local Online Travel Agency (OTA) rather than direct with the hotel in order to simplify this situation.



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## Ceding ground to OTAs



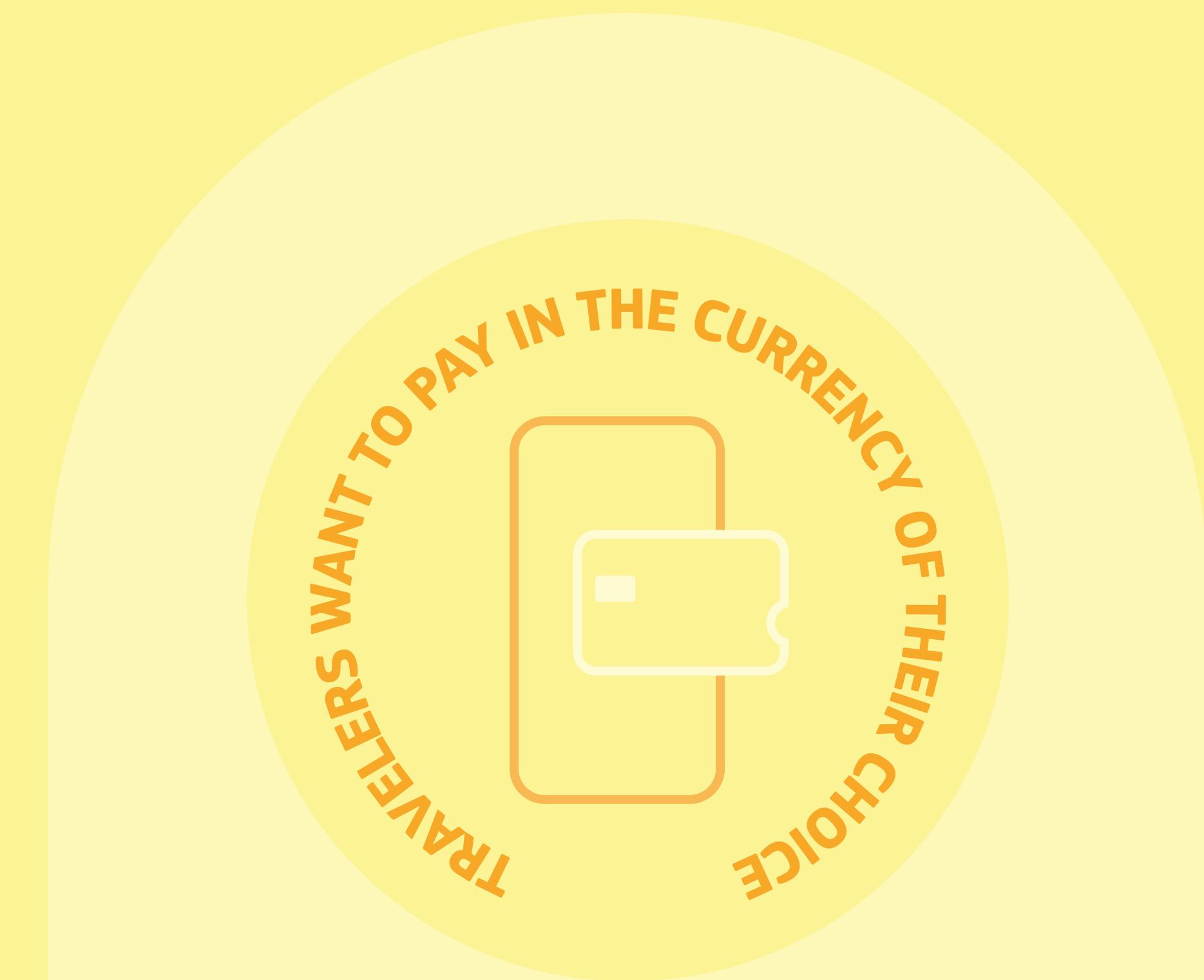
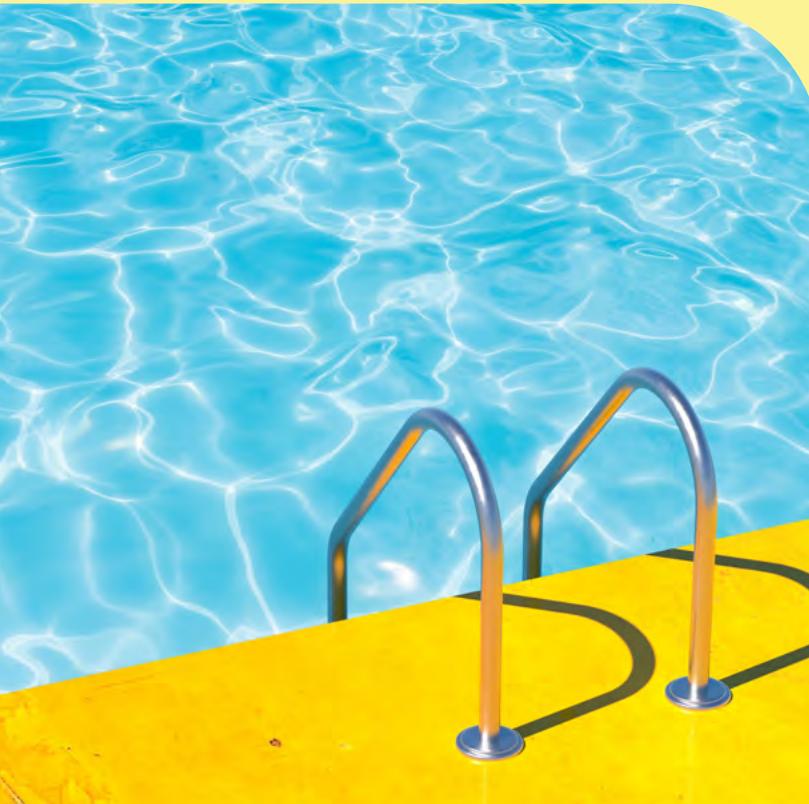
Hotels and intermediaries have a symbiotic yet often challenging relationship. When it comes to payment, if the guest attempts to book on the brand.com and is faced with a cumbersome process to transfer their card details to the property, they might choose to shop with an OTA instead. At a time when many brands are pushing for more direct business, an inability to take payment could undermine broader distribution objectives.

The benefits of handling payments haven't been lost on OTAs. By becoming the Merchant of Record and offering a modern, digital payment experience, savvy intermediaries know they can improve their relationship with travelers, and that presents merchandising opportunities throughout their trip. That's one reason why the major players are investing to build a modern, global payment experience. For example, Booking.com is **building a team of 400 fintech experts** to improve its approach to payments (amongst other objectives).

## 03 The FX opportunity

International guests booking a room are likely to incur a Foreign Exchange (FX) transaction. Today, this FX transaction is typically provided by the traveler's bank, with an opaque fee appearing on their monthly statement. Many airlines are currently rolling out the option for travelers to pay in the currency of their choice, simplifying the purchase experience and also allowing the airline to assume control over the FX transaction – boosting airline revenue.

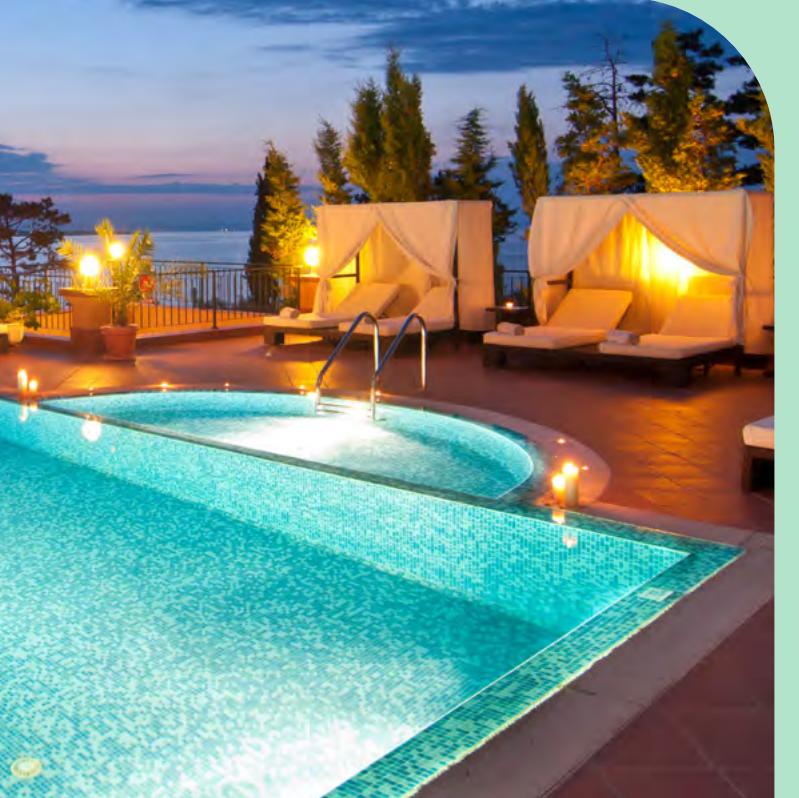
This option is limited to hotels that take payment on property but represents an opportunity for a new revenue stream if hotels decide to offer payment upfront.



## 04 Taking control of B2B payments

Hotel brands are missing several tricks when it comes to B2B payments today. When guests choose to book and pay with an intermediary, then the intermediary, an OTA in this case, needs to make a B2B payment to settle with the hotel. This is increasingly done using Virtual Credit Cards (VCCs) where business rules can be implemented to optimize the choice of card selected for each payment.

Hotel brands could also choose to take payment on behalf of properties and deploy a B2B payment strategy which could incorporate other options, like bank-to-bank transfers, which take advantage of high levels of trust between owners and brands, to limit costs.





## 05 Missed merchandising opportunities

Hotel chains that pass the guest's card details to the property miss an important chance to develop end-to-end merchandising opportunities. Hoteliers aspire to 'attribute-based selling', where the attributes of a room and the property are categorized and merchandised to drive incremental revenue and guest satisfaction.

Forming an earlier and deeper relationship with the guest by processing their initial payment above property means the guest's payment details can be kept on file, making it easier to merchandise offers in the window before the guest checks-in, perhaps via the hotel's app. Here too, airlines have stolen a march in their transition to become retailers and it's now common for **ancillary revenues to surpass 20%** of an airline's overall revenue.



## 06 Economies of scale

The properties of a large hotel brand likely process many billions in payments annually, often cross-border, putting them in the top category of potential customer for payments technology suppliers. Today, this economy of scale is lost as individual properties adopt local solutions with individual supplier contracts.

The industry is also missing out on new payments innovation like the opportunity to offer Buy Now Pay Later (BNPL) services so guests can pay in flexible monthly installments. This is increasingly demanded by consumers, with **payments consultancy Mercator estimating** BNPL volume will surpass \$100B by 2024, up from \$55B in 2021. **Amadeus' own research** found that BNPL was important for upselling with 68% of travelers telling us it would encourage them to spend more on summer travel and 49% were more likely to purchase an ancillary service if BNPL was available.



68%

Buy Now Pay Later was important for upselling with 68% of travelers telling us it would encourage them to spend more on summer travel



# 07

## Q&A with major hotel brand

We spoke with a Director of Distribution at a major hotel brand who preferred to remain anonymous when sharing their views on hospitality payments.

### **What's your distribution focus?**

We're focused on encouraging direct distribution where possible, whilst nurturing our strategic relationships with OTAs and intermediaries.

### **How are payments handled today?**

Our brand.com takes bookings but isn't 'a merchant', which means payment is largely taken at the property, with guest card details conveyed and responsibility falling to someone employed at the property. As Director of Distribution, it's not easy for me to engage with those teams, despite the potential for payments innovation to improve our distribution outcomes.

### **Do payments result in any guest experience issues today?**

When guests book through intermediaries they pay upfront, and it sounds good but what we've found is there's sometimes limited customer service options. What if the guest needs to cancel and receive a refund? Enabling guests to pay digitally, via an app or with alternative payment methods, at the property isn't something we've cracked yet.

### **What's the barrier to payments change at your brand?**

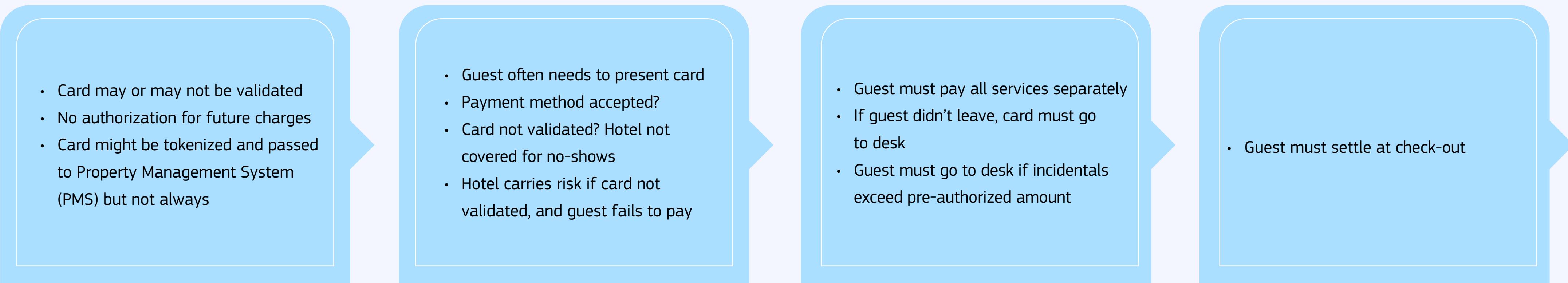
I think hospitality lags the wider travel industry a little with technology. Unlike airlines, we aren't a global entity, we're a series of local properties that are entities in themselves. This makes centralizing payments complex. Some of the OTA majors are tackling this and that's an issue for us in the longer-term, we might miss out.

### **How do you receive payments from distribution partners?**

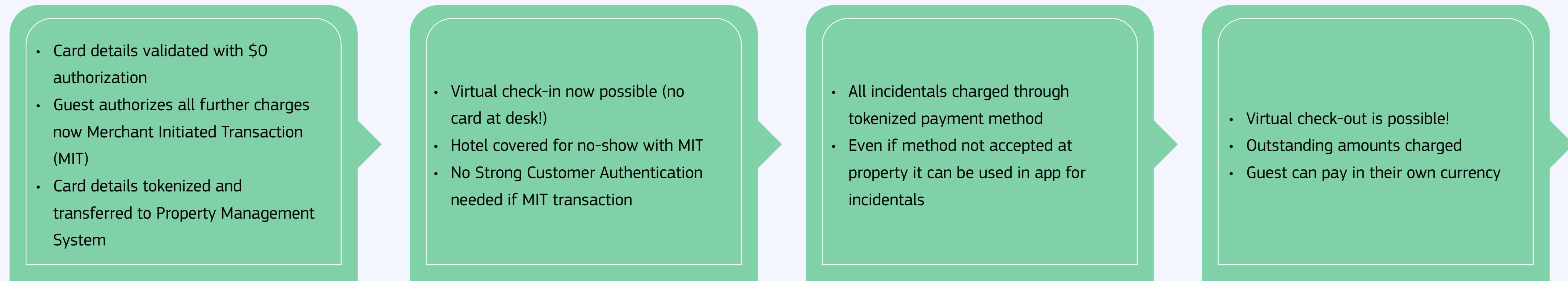
Increasingly with Virtual Credit Cards, which were a great innovation when they were introduced in the early 2000's and we do get fast settlement. We're still happy with the innovation but I know HEDNA is doing some work to review the overall cost to the industry. There could be a place for alternatives like bank-to-bank transfers.

# Towards a guest-centric payment experience

## Today's legacy process at a glance



## Guest-centric payment flow at a glance



# Our vision for a guest-centric payment experience

In an industry where some brands may choose to move towards extensive automation with biometrically enabled check-in, wireless room keys, app-based ordering and no check-out at all, the importance of a guest-centric payment experience has never been more relevant.

Today's payment flow is largely based around a 'pass-through' of the guest's card details to the property or, in many cases, the guest simply has a reservation and no payment information is conveyed to the property. This means the guest is forced to perform a physical check-in at the front desk, where their chosen payment method may or may not be accepted.

As the customer's payment method may not have been validated at the time of booking, the hotel can't allow the guest to pay, for example, for incidentals through the hotel's app. Instead, guests typically settle incidentals at physical check-out where they might be surprised at the amount they've spent because tracking that spend digitally isn't possible. In addition, often this lack of card validation at booking, can even cause challenges with no-shows and subsequent chargebacks causing more revenue leakage for the hotel property.

With a centralized digital approach to payments, a hotel brand can easily accept any payment method the traveler chooses to use, like the major digital wallets e.g. PayPal or ApplePay, or rapidly growing local options like BLIK in Poland, **which now has over five million active users** (10% of Poland's population). By taking payment 'above property' at the time of booking, the hotel chain has the option to integrate a payments aggregator to begin accepting these modern payment methods.



**WE BELIEVE AMADEUS IS  
IN A UNIQUE POSITION TO  
SUPPORT BRANDS TO DELIVER  
A GUEST-CENTRIC  
PAYMENT EXPERIENCE**



## UNDERSTAND HOW GUESTS FEEL ABOUT PAYMENTS IN HOSPITALITY

We believe there are several benefits for hotels that manage to deliver a smooth payment experience for guests. Removing the stress and friction involved in today's process will help properties better retail their ancillary services, for example, with guests paying natively from within the hotel's app. With more than half of guests paying close attention to the quality of the payment experience, it's also more important than ever for hotels looking to boost loyalty to get payments right.

As well as improving the exchange of payment information between a hotel brand and its properties, a centralized digital payment strategy also allows the industry to innovate with payments.

If the hospitality industry were to adopt modern e-Commerce payment techniques, such as \$0 validation at booking, they take the first step in creating a guest-centric experience. By running this validation, the hotel knows the payment method is legitimate and these initial payments are conducted as either Customer Initiated Transactions (CITs) or Merchant Initiated Transactions (MIT). In doing so, hotels gain the guest's permission to charge the payment method throughout the stay or in the case of no-shows.

Once the hotel has obtained the guest's permission to charge the payment method throughout the stay, the payment method can be tokenized and the guest can choose to pay for incidentals digitally during their time at the hotel, without settling at the desk. It opens the door to more sophisticated digital merchandising before and at the property, whilst eliminating many of the points of friction guests told us cause apprehension, anxiety and frustration. Even if the property can't accept American Express or WeChat Pay, such methods can still be used via the hotel's app because they've already been validated at the time of booking.



**AT AMADEUS, OUR HOSPITALITY  
AND PAYMENTS BUSINESSES  
ARE WORKING CLOSELY TO  
RETHINK HOTEL PAYMENTS**

# We're rethinking Hotel Payments

As a provider of both Central Reservation Systems that facilitate bookings, Property Management Systems that manage the guest's stay at the hotel, as well as a wide range of payment acceptance solutions, we believe Amadeus is in a unique position to combine these capabilities and support brands to deliver a guest-centric payment experience.

At Amadeus, our Hospitality and Payments businesses are working closely to rethink hotel payments. There are exciting opportunities for hotels that embrace a guest-centric approach as the first step on a journey to transform how they handle payments.

**To learn more, visit [Amadeus.com](http://Amadeus.com) or talk to your account manager.**

### **About the research:**

The research was conducted in Q2 2022 by psychological research agency, Innovationbubble, incorporating both quantitative and qualitative inputs. The study was underpinned by interviews with hundreds of recent travelers in the UK, US and Brazil, that had recently traveled to international hotels in other countries.

The following hospitality and payments experts kindly agreed to be interviewed to inform this report:

Mike Carlo, Founder & CEO, XanderPay

David Cabreza, CCO, XanderPay

Gianna Rivera, Travel Distribution Consultant, HEDNA board member & former GVP Distribution at Wyndham Hotels

Sandra Sari, Director, Global Distribution and Analytics, Hyatt Hotels

NB: additional contributors preferred not to be cited by name.

### **About Amadeus**

Travel powers progress. Amadeus powers travel. Amadeus' solutions connect travelers to the journeys they want through travel agents, search engines, tour operators, airlines, airports, hotels, cars and railways.

We have developed our technology in partnership with the travel industry for over 30 years. We combine a deep understanding of how people travel with the ability to design and deliver the most complex, trusted, critical systems our customers need. We help connect over 1.6 billion people a year to local travel providers in over 190 countries.

We are one company, with a global mindset and a local presence wherever our customers need us. Our purpose is to shape the future of travel. We are passionate in our pursuit of better technology that makes better journeys.

Amadeus is an IBEX 35 company, listed on the Spanish Stock Exchange under AMS.MC. The company is also part of the EuroStoxx50 and has been recognized by the Dow Jones Sustainability Index for the last eight years.

To find out more about Amadeus, visit [www.amadeus.com](http://www.amadeus.com)  
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