Unlocking digital transformation for hospitality payments

Increasing profitability, reducing costs and offering the best guest experience

Digitising payments is a key part of delivering an overarching digital transformation that hotels need to compete.

The post pandemic world has seen many hotels reconsider the way in which they do business, accelerated by significant changes in consumer behaviour. Health concerns have meant the rise of touchless interactions, consumers are increasingly looking online to book trips rather than rely on travel agents or third party in person booking agencies, and they have increased expectations regarding how they make payments via the internet.

Rising costs have also created a challenging environment for hospitality – and staff shortages create issues with recruiting and retaining staff.

These combined challenges have led hotels to examine the very ways in which they do business – how can they reduce costs, streamline processes to take pressure off staff and reduce the training necessary, all whilst maintaining margin – and could digital transformation offer a solution? In this whitepaper we examine some of the key trends around digitalisation, how it can revolutionise the way consumers pay and interact with hotels, and how hotels can protect margin and drive profitability at the same time.

What is digital transformation and why is it important for hotels?

Forbes has outlined how the need for digital transformation is even more essential now as the industry recovers from the hammer blow of the pandemic. They have defined digital transformation as the implementation of the latest technology within a company's business operations, processes, and people, all serving to optimise the customer experience. Critically, they also comment that becoming digital first means listening to a customers' needs and developing a truly customer centric product or offer.

Even discounting the pandemic, the traditional hotel model has long been under threat from challengers like Airbnb and other private hosting sites. For the last few years, the travel industry has been innovating outside of the hotel chains via third parties, and now the hotels themselves need to catch up with the new products and services offered.

When Airbnb came on the scene, Accor CEO Sébastien Bazin spearheaded a process to understand the success of their business model. Bazin quickly realised that they would need to change from just being a real estate-based hotel brand, to a hospitality platform and service provider with a broad online presence. They would need to diversify, branch out and go digital.

According to a survey conducted by Fexco in 2022, 86% of travellers have indicated that they would prefer to see transactions, both online and on-site, in their own currency, with 85% stating that they would like to know the exchange rate that will be applied on the transaction, which has the potential to impact their overall payments experience.

The rise of alternative booking sites is also a threat – increasing pressure on margins in an industry that is facing challenges from both goods and wage inflation. These sites often charge up to 50% of a room fee to hotels – to protect profitability, hotel chains will need to look to how they manage and improve their own digital shopfronts.

With 82% of all travel bookings in 2018 made online via a mobile app or website, without human interaction, consumers now expect to be able to book a stay at a hotel digitally without needing to speak with a hotel representative. If a hotel does not offer a fully digitised end-to-end booking process, most consumers will simply pick a nearby one that does. Regardless of how unique or luxurious your property is, if the technology isn't there, customers will choose one that offers a straightforward online experience.

And it seems that hotels are aware of the need to upgrade their systems to keep up with customer demand. In a 2020 survey carried out by Statista on the key business priorities of travel and hospitality companies worldwide, roughly half of respondents stated that "new technology to better serve customers and/or suppliers" was a business priority.

Beyond the booking process, travellers have increased expectations of their stays – and digitalisation enables better guest experiences – not only for safety reasons like enabling contactless transactions, but also for ease of use. The modern consumer is now used to making payments online, via apps and booking ahead – hotels need to ensure they are giving their consumers all the options.

Clearly, payments are a core part of this digital experience – enabling a fully digital omnichannel payments experience from booking online and being able to select your 'home' currency when browsing, paying in that same currency, through to check-in, room service ordering and check-out (and everything in between) is essential to creating a great guest experience and building a loyal customer base.

Digital payments made easy

Running non-physical payments is challenging across hotel chains, but consistency of experience is key – and duplication of multiple payment providers creates extra cost and inefficiencies in financial processes. While large brands have centralised booking processes across the global chains, they often have regional or franchise specific payment systems on each premises, which can add a layer of difficulty. And smaller hotel chains often don't have a formal system in place. This adds cost, complexity and often delivers poor guest experience.

In their 'Industry Data Report: Leisure Travel's 2021 Rebound', Publicis Sapient reports that guests are looking for increasingly better and more tailored experiences, consistently across a hotel brand. They suggest that hospitality brands need to deliver seamless digital experiences and consistent service or else they face being left behind. They go on to say that organisations that adapt their business models, operations and systems can unlock new opportunities and create greater brand loyalty based on personalisation and engaging experiences.
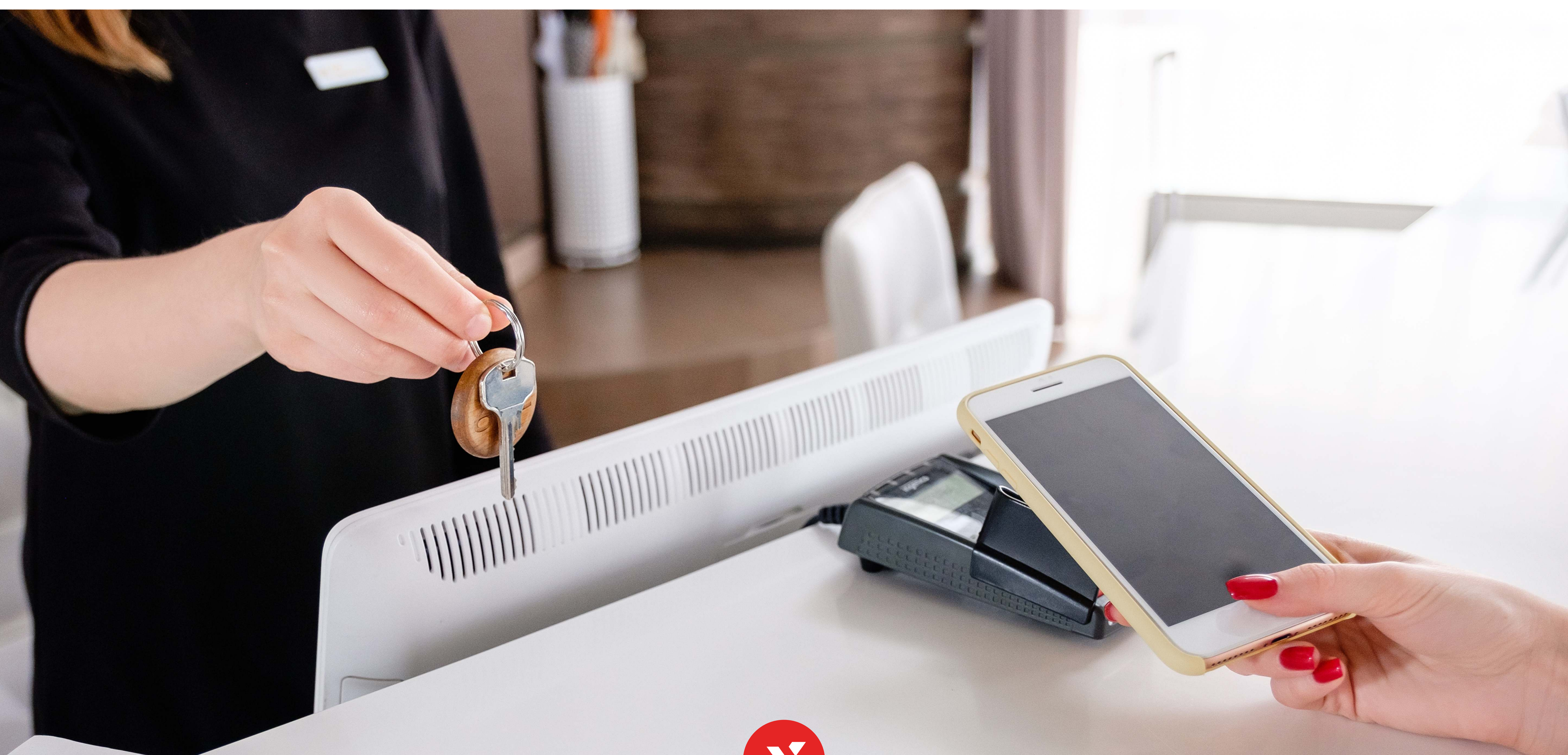
Guests now also expect fully contactless experiences - unsurprisingly cash payments, already on a downward trend, decreased rapidly thought the pandemic. And hotels are responding – with some going completely cashless. McKinsey's latest Global Payments report comments that "the pandemic accelerated ongoing declines in cash usage and adoption of electronic and e-commerce transaction methods."

Guests now prefer to pay before they arrive, which streamlines the check-in experience for guests, and reduces the amount of time staff need to spend on the process, creating staffing efficiencies. This is common in other industries which expects prepayment for services, such as the airline industry or car hire.

Enabling guests to 'prepay' upfront also provides a business benefit – many chains now offer discounts to customers if they pay for their room on booking which improves cash flow and prevents room cancellations later – and offering guests the opportunity to prepay in their home currency offers greater security and comfort and increases loyalty.

Guests also expect payments on-site to be seamless. Disparate payment systems between online booking, payment on-site, and across bars and restaurants can create a poor guest experience and create accounting challenges and inefficiencies in managing foreign currency. Getting the right omnichannel payment experience through digital transformation is key, for both customers and for the business.
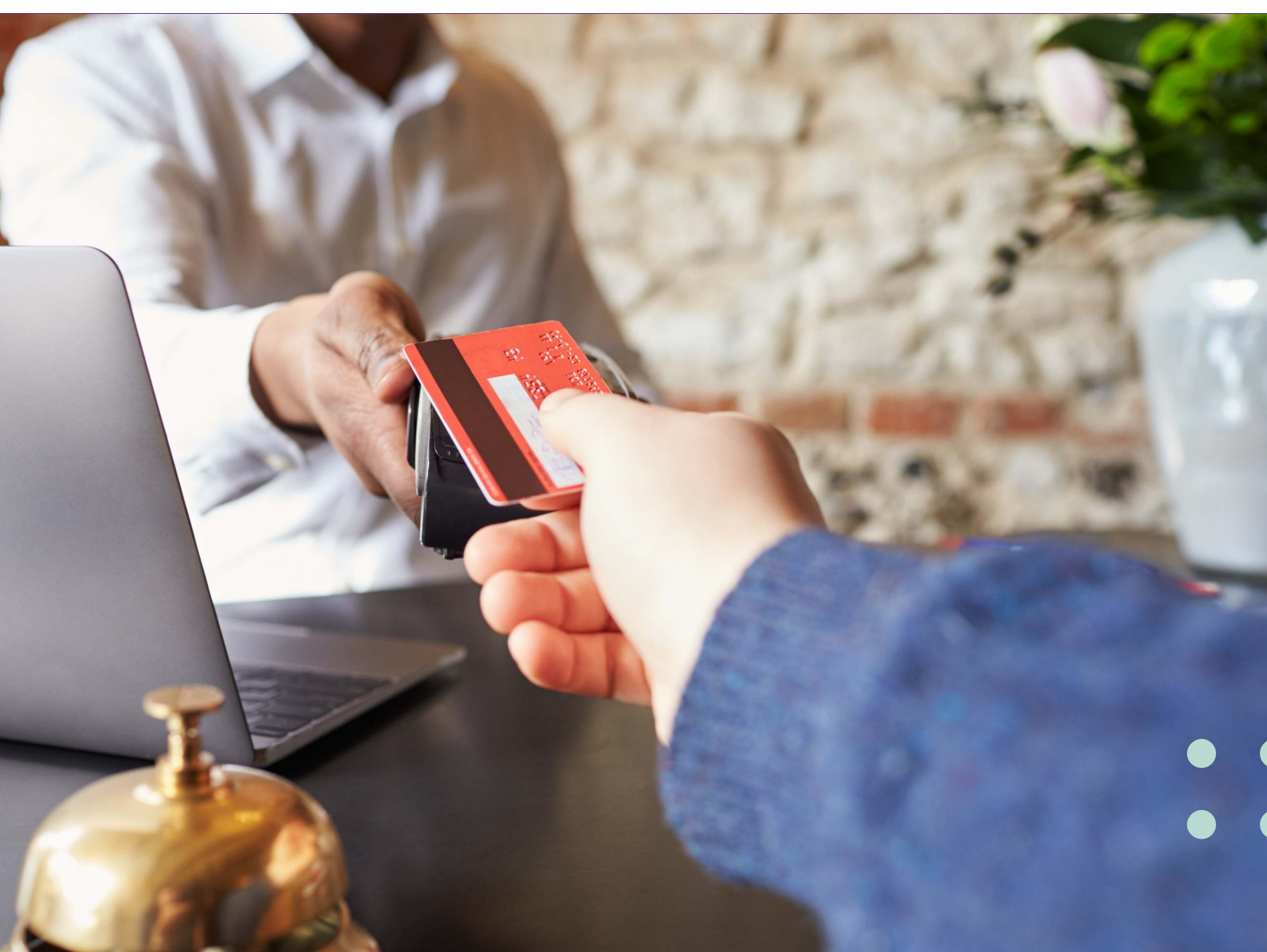
In the survey carried out by Fexco, 81% of those surveyed agreed that being able to pay in their own currency improved their overall experience, while 78% suggested that being able to take advantage of a dynamic currency conversion solution made the experience more personalised to them.
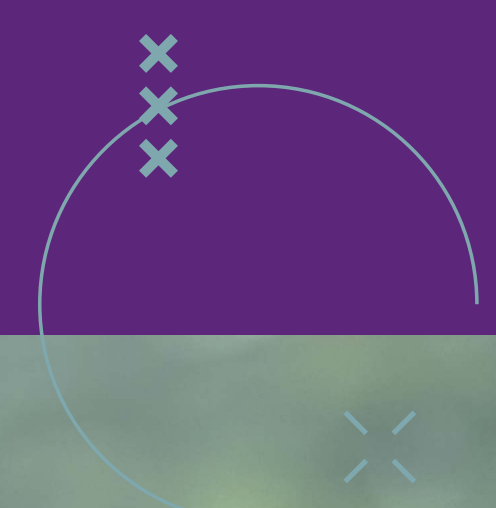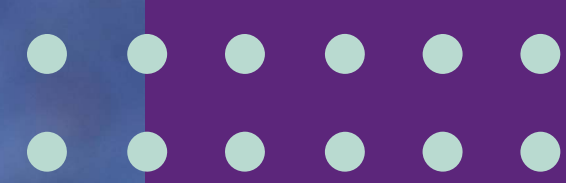
The benefits of a Currency Conversion Solution

Hotels that are considering implementing a digitised payments solution should adopt a Dynamic Currency Conversion payment solution which would offer additional benefits to their business.

✓ A better guest experience

Enabling customers to pay consistently in their choice of currency – whether browsing your website, paying for their stay online in advance, on arrival at the hotel, or across bars, restaurants, and other in-hotel services - results in a trusted experience. DCC offers clarity on what customers will actually be paying, online or on-site.

✓ Driving financial efficiencies

A centralised digital financial platform for managing foreign currency transactions creates business efficiencies and introduces better financial control. DCC also offers vendors a fee per transaction, creating a much-needed revenue line. Staff can operate more efficiently, reducing overhead.

✓ Increased profitability through foreign currency management

Managing foreign currency centrally, rather than on a piecemeal, country by country, or even hotel by hotel basis, drives opportunities to create income and mitigate risk through exchange rate management. Working with a third party offers the ability to leverage large scale FX management solutions, which can fully mitigate currency fluctuations and reduce risk.

✓ Increasing brand loyalty with DCC

79% of those surveyed said that they were more likely to return to a brand that offered DCC.

The Fexco solution

Fexco offers an end-to-end digital currency conversion service via Multi-Currency Pricing, eDCC and point of sale (POS) DCC services – offering guests the chance to browse a hotel's website, pay online as well as for in-hotel services, either face to face or via an app, all in their own currency – delivering a consistent end to end guest experience.

DCC at Point of Sale (POS)– The original Dynamic Currency Conversion solution

As the first global DCC provider, Fexco's DCC solutions offer the ability for vendors to earn additional revenue with zero FX risk – through our fully card scheme compliant solution. Integrated with your entire payments network Fexco's foreign currency expertise helps increase revenue whilst offering your guests the best possible payments experience.

MCP – Multi-Currency Pricing

Fexco's Multi-Currency Pricing is an eCommerce payment solution that allows international customers to browse online, view prices and pay in their preferred currency with full disclosure of exchange rates. It allows real time currency management across an eCommerce platform with a single API and improves the customer's shopping experience, reduces cart abandonment, and creates a new revenue stream for the vendor, all whilst providing easy reconciliation with MIS reporting, offering zero or flexible risk solutions, dependent on your FX strategy.

eDCC

eDCC gives international online customers the choice to pay in their home currency at the payment page with full disclosure of exchange rate and margin, experiencing instant conversion to a familiar currency.

Digital transformation is the cornerstone of delivering better guest experiences, driving profitability, and reducing costs. Including a digital payments solution allows guests to have a much more consistent end-to-end experience - from online booking through to check out – which delivers improved guest loyalty. Surveys confirm that delivering a 'home currency' experience by allowing customers to choose the currency they ordinarily transact in offers a much more personalised experience, while delivering direct benefits for the business including lower risk foreign currency management, reduced staff costs and increased margin.

Sources

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