prommt
Payment Communications

Digital transformation in hotel payments:
changing the game for revenue management

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01

The digital transformation of the hotel payments ecosystem

Across the world, almost every aspect of business is undergoing the disruptive process of digital transformation.

For the hotel industry, this transformation is vital; customer expectations are at an all-time high, while online booking sites for short-term rentals such as Airbnb are attracting millions of guests through a combination of convenience and great customer experience.

Research points to the growing importance of online channels in the hospitality industry: travel brands are spending 61% of their marketing budgets on their online activities[1], and more than half of all UK consumers[2] prefer online payments over other types of payment.

This is putting immense pressure on hotels to reduce operating costs and improve profit margins while still investing in the correct mix of back-office and customer-facing technologies to remain competitive. And yet, many hotels are still not meeting customer demands for online and mobile services. What is needed is a process of digital transformation that will enable hotels to meet customer expectations without risking their current success.

[1] PhocusWire "What travel marketers need to know for digital engagement", 2018
[2] Ecommerce News UK "51% UK consumers prefer to shop online than in-store", 2018

Factors holding back digital transformation in the hotel industry

Following Guest 2017, an event dedicated to digitisation and technology in the hospitality industry held in Madrid, identity verification company Mitek (formerly ICAR) proposed four key factors that can hinder hotels' digital transformation efforts [3]. These include:

Regulation, especially in light of legislation such as GDPR that require extensive efforts from hotels in order to ensure compliance;

Technology, which has shifted from an operational matter to a central concern that can make or break a hotel's success;

Economy, which rests on the speed and efficiency with which services are implemented in order to realise the productivity and efficiency benefits of digital transformation initiatives; and

Digital society, which requires hotels to create entirely new strategies and processes based on a digital paradigm, with the assumption that a growing percentage of guests have never known a world without digital.

These factors can frustrate and delay digital transformation efforts, with many hotels instead focusing on making the most of their existing processes and technologies. However, rising customer expectations and a constantly shifting payments landscape makes it impossible to just continue 'business-as-usual'.

What hotels should seek in order to balance digital transformation and the successful running of existing operations is an iterative process that gradually introduces new digital services, usually with the support of a technology provider. The first objective should be to make new digital services available without compromising existing methods. As adoption of new digital services grows, hotels can gradually migrate customers and processes to the new, digitally transformed tools while scaling down on outdated processes.

Rising customer expectations and a constantly shifting payments landscape makes it impossible to just continue 'business-as-usual'

[3] Mitek "On-line check-in: a remaining challenge for the digital transformation of hotels", 2017

02

Reputation & regulation

Hospitality businesses face a growing challenge of card fraud and chargebacks associated with their over the phone payments and unsecured Online Travel Agent (OTA) reservations.

The EU's PSD2 directive incorporates improved security in the payments space by mandating Strong Customer Authentication (SCA). An important implementation of this is the availability of 3D Secure 2 which is being introduced gradually by banks between April and September 2019.

The 3D Secure (3DS) scheme introduced by the card issuers originally in 2001 solved the problem of card fraud and chargebacks by transferring fraud liability to the issuer, but was seen by many hotels as a barrier to trade. The card schemes have improved their risk profiling: in the new 3D Secure 2 environment, fewer than 5% of transactions[4] are expected to be challenged, according to Visa.

3D Secure 2 aims to reduce friction while increasing security by offering the ability to authenticate using a broader range of measures:

- Something you own: the mobile, or computer on which you make payments enabling 3DS to implement a risk profile.
- Something you know: rather than entering random characters from a fixed password, customers will use a one-time password sent to their mobile.
- Something you are: increased use of profiling biometrics (fingerprint, facial recognition, etc)

This will enable businesses to embed the security more seamlessly within their checkout processes, with the potential to greatly reduce fraud while increasing convenience for consumers.

[4] PaySafe "How 3DS Secure 2.0 will reshape card payment acceptance", 2018

GDPR could be more bite than bark in 2019

Since the EU's General Data Protection Regulation (GDPR) came into play in 2018, companies have had to take steps to enhance their data processing and protection capabilities to prevent costly breaches of confidential customer data. It hasn't gone well for everyone: Marriott Hotels' massive data breach exposed 500 million customers' personal data[5] and opened the door to heavy penalties.

Under GDPR, companies found liable for breaches of confidential customer data could be fined as much as 4% of their annual global turnover. For Marriott, who generated global revenues of around $22.9-billion in 2017, this could mean a fine of up to $900-million.

What did they do wrong to deserve such as steep fine? One of the core parts of GDPR's rules focuses on the measures that data processors - any entity that processes the personal data of its customers, including hotels - put in place to provide an appropriate level of security. This includes data encryption, effective data storage and access processes, and regular security audits to ensure data processing methods and systems are performing optimally.

Hotels therefore need to take immense care to protect their customers' data. Often, customer data goes beyond the basics - name, date of birth, nationality - and to deeper personal details such as payment information, IP addresses and transaction histories. Storing sensitive information such as credit card details in a separate, more secure place than where data such as names and dates of birth are stored does not solve the problem. Under GDPR, the data is still covered by the legislation even if it could be feasibly linked back to that person through cross-referencing with other data sources.

4%

Under GDPR, companies found liable for breaches of confidential customer data could be fined as much as 4% of their annual global turnover

[5] Marriott International "Marriott Announces Starwood Guest Reservation Database Security Incident", 2018

Payments & GDPR: What hotels need to know

GDPR places greater responsibility on companies to implement appropriate security measures to any personal data they may process, including payments data. Hotels should follow suit - after all, cybercriminals place an immense premium on their victims' personal data. In fact, the World Economic Forum has put cybercrime as the number 5 global risk of doing business in 2019 [6], and it is ranked as the number 1 risk in both Europe and North America.

After reports surfaced that British Airways fell victim to a cyberattack, details soon emerged of a massive data breach that exposed the personal and financial details involving 380 000 bank cards[7]. And it's not just companies' own systems that need to be secured: Ticketmaster UK revealed[8] in 2018 that up to 5% of its global user base outside of the US might have had their personal details compromised after malicious software was found on a hosted customer support programme by a third-party provider.

While there are other factors motivating cybercriminals, most are driven by financial gains. And since payment data is a key that potentially unlocks opportunities for fraud and theft, this type of data is in high demand among cybercriminals.

Hotels can take steps to secure their customers' payments data by following the four actions outlined by the European Payments Council[9], namely:

- Review all data processing activities and keep verifiable records of such activities;
- Ensure that the appropriate technical and organisational measures have been implemented to adequately protect the security of clients' personal data';
- Ensure compliance with the 'accountability principle' and cooperate with the relevant supervisory authority where appropriate;
- Ensure that the appropriate processes and templates are in place to identify, review and promptly report data breaches to relevant authorities.

It's not all doom and gloom though. The heightened awareness among consumers of how their personal data is used (or abused) has created incentives for companies to prioritise data protection and safeguard their customers' personal information. Modern customers are becoming increasingly appreciative about having their data handled in a secure and transparent manner.

Hotels that have taken the necessary steps to protect their customers' data should tell them so and communicate this through their marketing activities to distinguish from less transparent competitors.

#5

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5%

of Ticketmaster's global user base outside of the US might have had their personal details compromised in 2018

[6] World Economic Forum "Here are the global top 10 risks for doing business", 2018
[7] Global Sign "How Well did British Airways Handle Their Data Breach? A GDPR Case Study", 2018
[8] Ticketmaster "Who has been affected by the recent data security incident and what may have been compromised?", 2018
[9] Privacy Regulation, article 32 EU General Data Protection, 2018

03

Gaining competitive advantage through frictionless payments

Customers who book directly with a hotel have been shown to have greater brand recall and loyalty and are more likely to book repeat stays.

Many hotels offer incentives to encourage customers to book direct. And while online booking sites and travel agencies offer convenience that appeals to customers, it's not without issues. Since bookings through online booking sites and travel agencies are often through unsecured reservations, there is greater scope for fraud.

'Friendly fraud', also known as first-party fraud, involves payers contacting their card issuer after performing a genuine transaction for purchasing goods or services online to claim they have been defrauded and request a chargeback. According to reports[10], this type of fraud has been growing in recent years.

Taking payment details over the phone puts hotels at risk of non-compliance with stringent GDPR laws, which place greater responsibility on providers - including hotels - to ensure the security of their customers' data. Phone payments are particularly risky; by their nature they have multiple potential security vulnerabilities that could put customers at risk, including card details that are written down and left lying around, or recorded voice calls containing customer card details that are stored in unsecured environments.

[10] Better Regulations, European Central Bank "Fifth report on card fraud", 2018

With fines of up to 4% of turnover, many hotels are looking to alternative solutions to reduce risk and improve the security of customer data. Solutions such as Prommt reduce the risk of card numbers being stolen or compromised by not passing any card details between hotels, staff and customers.

Offering a seamless, secure and online method for over the phone and OTA sourced reservations helps hotels get paid faster, improves cash flow and eases the administrative burden.

As we'll see in the next section, this is fast becoming the #1 area for competitive advantage.

Securing payments from 3rd party booking sites

When a booking is made on an online booking site, the customer contact details are passed to the hotel along with either a card number or a virtual card number. Neither of these will enable the hotel to take a secure payment but it does require them to handle sensitive customer card data.

Hotel staff can make better use of the customer contact details by sending a Prommt payment request to the guest and asking them to complete the payment in order to secure the room.

The platform allows them to filter outstanding payments and send reminders daily, before discarding those who default.

This helps hotels reduce unsecured transactions and, as 3D secure can be implemented, removes the risk of fraudulent chargebacks.

04

The age of heightened customer experience

Customer experience has become a primary concern for most businesses: Walker estimates that customer experience will overtake price and product as the #1 consideration for competitive advantage by 2020[11].

The travel industry is arguably under greater pressure than most to deliver great experiences. Anyone working in the hospitality industry will be aware of how attuned customers are to how their expectations compare to reality. If the photos on your website don't match the actual customer experience, or if your service levels are any less than what was promised in marketing material, customers will voice their unhappiness - often leaving a trail of negative feedback on social media.

This can be devastating to hospitality establishments. A single poor review on TripAdvisor can weaken their online reputation and negatively impact their bookings. Lost bookings have a domino effect: each customer lost is also a string of potential recommendations and word-of-mouth referrals lost.

On the positive side, even a 1% increase in a hotel's average online rating has been found to increase room occupancy by as much as 11%[12]. For an industry that relies on a positive online reputation to drive bottom line revenue, every customer touch point needs to work optimally.

With increasingly advanced technologies enabling consumers to tailor their experience of a brand to their own unique tastes, hotels are also under huge pressure to deliver great experiences to every customer. In fact, more than half of consumers are willing to pay more for a guaranteed good experience.

[11] Walker "Customers 2020", 2018
[12] BarQar "Online Hotel Reviews: More Important than Cost when Booking a Room!", 2015

Millennials, as the first generation to grow up not knowing a world without the internet and smartphones, are more demanding in their expectations: Deloitte found that while all guests want to experience surprise-and-delight moments during their stay, Millennial guests want this 71% more than other age groups.

What does a positive customer experience look like? According to Deloitte, hotels are becoming masters of getting the basics - room experience, check-in, service - right. But guests show no hesitation in demanding more: they want fast, seamless experiences throughout their stay. And this includes the check-out and payments experience.

Legacy payment processes dampen positive experiences

Many hotels still rely on outdated legacy payment systems that are prone to technical errors caused by faulty hardware, lack integration with newer payment methods, and are marked by long wait times at the hotel reception thanks to dated processes. Customers in turn demand a seamless digital payment experience that is consistent with how they purchase goods elsewhere: securely, quickly, and using a smartphone or computer.

First and foremost in customers' minds is the matter of safety: 77% of consumers believe security is the most important consideration when paying online[13]. Hotels need to offer seamless and positive digital payment experiences that are facilitated through a secure, unique payment link that aligns visually with the hotel's brand guidelines and provides consistency across the website, booking and payment processes.

Ultimately, hotels are striving for speedier, more consistent and seamless customer experiences across all customer touch points – while maintaining profitability and avoiding compliance-related issues.

Positive payment experiences bring additional rewards

Positive payment experiences can also open up opportunities for hotels to deepen their connection to customers through a range of marketing activities. An opt-in newsletter or mailing list checkbox at the digital point of payment can give hotels a targeted list of customers that can be lured back for repeat visits while ticking all the GDPR -related compliance boxes.

Encouraging customers to leave reviews on sites such as TripAdvisor when they make payment is another way of transforming a payment process into a valuable marketing opportunity with bottom-line impact. Hotels can transform the payment process into a vital customer touch point that consistently produces positive business impact.

71%

Millennial guests want to experience surprise-and-delight moments during their stay 71% more than other age groups

77%

of consumers believe security is the most important consideration when paying online

[13] Retail Week "Are consumers ready for Amazon Go?", 2018

“

At The Louis Fitzgerald Group, we needed a solution to securely take payments over the phone and manage group bookings of all sizes. Prommt has had a transformative effect on our reservations, events, and accounts payment processes, enabling us to protect our over the phone and online travel agent bookings from fraudulent chargebacks. But I have to say, the best part has been the response of our guests; not only are payments made quickly and conveniently, but the excellent user experience leaves a lasting impression - and all before they enter the hotel! We couldn’t recommend Prommt more.

Sara-Jane Woods, Reservations Supervisor, Louis Fitzgerald Hotel

Securing event payments with autocharge

Hotel revenue managers need to secure payment for event bookings, but the current way of doing so - through pre-authorisation forms - is time consuming, inconvenient for the customer, and make it difficult for the hotel to be fully GDPR compliant.

One of the ways hotels are using Prommt's Autocharge feature is to provide greater certainty over event deposits and final balances. Autocharge refers to a payment request where the hotel asks the guest to allow it to store the card securely to enable automatic future charges.

It works like this:
During the booking process, the hotel sends the cardholder a payment request for a deposit, which includes an optional or a mandatory opt-in to Autocharge. When the event is complete, hotel staff use Prommt to charge the final balance to the card. The client receives a notification email detailing that the charge has been applied.

Corporate customers have responded well to this, as it removes the need for sharing card details over the phone. This also greatly reduces the potential for revenue leakage when running large-scale events concurrently. Many hotels are making Autocharge a required condition for their events.

Autocharge is also useful when charging cards automatically for bar tabs, restaurant bills and other additional fees incurred by the guest during their stay.

Digital transformation of payment acceptance

With tight data regulations, rising cybercrime, and the constant evolution of payment methods, choosing which new payment technologies to implement can be a daunting task. What hotels should look for is an online payment technology partner that can give them access to digital payment technology in a way that doesn't interfere with the smooth running of their day-to-day activities.

Critical capabilities for a payment partner include the ability to ensure customer data is protected (for example through compliance with GDPR), that payments are secured (using 3DSecure) and that it enables the highest level of customer engagement. To ease the process of introducing new ways to pay while also enhancing the customer experience, the payment partner should also offer strong payment communications capabilities.

A three-step process of digitally transforming specific hotel-customer touchpoints can reduce risk and remove some of the stress of testing new digital tools.

Step 1: Engage a specialist provider or experienced team member to lead the implementation of the new service - you need a 'champion' to take ownership of the process and drive its success from concept to implementation.

Step 2: Implement the new service and let it run alongside existing processes to accurately gauge and benchmark its performance.

Step 3: Once the new service has been mastered and fully integrated to broader hotel operations, it can move to the centre of the hotel's strategy and become the 'new normal' for guests.

And what benefits should that 'new normal' bring? In the Experience Economy, the outcome of most digital transformation initiatives should ideally result in better customer experiences. In fact, companies that focus on customer experience outperform their competitors by as much as 80%[14], reporting higher revenue growth, improved brand perceptions, and higher transaction values.

80%

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[14] Qualtrics "Forrester Study: Economic Impact of Experience Management", 2017

05

Creating great payment experiences

For an improved - and compliant - payment experience, hotel revenue managers have access to Prommt; the trusted payment request platform. Compatible with all the main card schemes and payment gateways, Prommt is designed to collect card payments from customers quickly and conveniently.

It provides hotels with a live dashboard that gives full visibility over all communication between staff and customers and leaves an audit trail of all payment activity.

The Prommt platform helps hotels save time and money by sending and processing multiple payment requests simultaneously, attaching invoices and documents to SMS or email communication, and adding custom data fields to each payment request.

Use Prommt to:

- Send payment requests to your customers using SMS and email through a simple and intuitive interface.
- Track who has received and clicked on your messages and see what payments have been made or are still pending.
- Accept credit and debit card payments simply and securely with our instant online payment forms.
- Include extra information such as product details, file attachments and personalised messages.
- View and filter all information about your SMS and email payments with an up-to-the-minute statistics dashboard.
- Set up and manage customer friendly, SCA and GDPR-compliant Recurring and Autocharge Payment plans.
- Enable additional options such as Express Checkout for faster payments and 3D Secure for enhanced security.
- Use our API to connect Prommt with your accounting, CRM and other business applications.

Só Hotel Group uses Prommt to comply with GDPR

The Só Hotel Group is a dynamic, modern group of Irish family-owned hotels, delivering accessible luxury in elegant, guest-focused surroundings. Their properties include Castletroy Park Hotel Limerick, Lough Rea Hotel and Spa Co. Galway, Charleville Park Hotel Co. Cork and Killeshin Hotel Portlaoise.

To comply with the emerging GDPR legislation changes, the Só Hotel Group adopted Prommt.

As a result, the Group is no longer taking payments over the phone and is instead putting payments through the secure Prommt solution. This has led to a quicker, safer customer experience which complies with GDPR legislation, and a more streamlined, automated reservations process overall.

> We wanted to secure our customers' data and ensure that we were compliant with GDPR in 2018. We found a solution that achieved that, but which also helped us to streamline our reservations process.
>
> Lisa O'Farrell,
> Reservations Manager, Castletroy Park Hotel

Flannery's of Galway uses Prommt for instant, secure payments

Like many hotels, Flannery's want to secure their bookings, protect their customers' data, and replace the labour-intensive processes involved in taking payments. In particular, they needed a secure and efficient procedure for charging credit or debit cards when the card wasn't present.

Having experienced first-hand the simplicity of Prommt in their sister hotel, the Ashling Hotel, Dublin, Flannery's saw the solution to all their payment pain points. Flannery's adopted Prommt in late 2018, and have found that they are already cutting costs, saving time and increasing staff productivity. They now process all card-not-present transactions – corporate event bookings, phone reservations, and gift vouchers – via Prommt.

Flannery's have secured their payments from card fraud and chargebacks and anual effort has been replaced with the quick and easy Prommt process. All payment requests sent are paid on the same day, and 40% of customers pay within 15 minutes.

FLANNERY'S HOTEL
GALWAY

"

In an era where the customer needs instant solutions, Prommt has streamlined our payment processes whilst also enhancing our customer service. We would be happy to recommend it to anyone.

Michelle O'Connor,
Reservations Manager, Flannery's Hotel, Galway

CASTLEKNOCK
HOTEL

Castleknock Hotel finds payment solution that meets customer, staff and regulatory requirements

> Prommt is much easier for our reservations team than other payment methods. For example, if a corporate guest is staying and they use more funds which would be added to their end-of-visit charge, the reservations team can let reception know they can take more payment through Prommt's Autocharge facility. This is a big improvement on having to chase guests for authorisation.
>
> Ammar Khurshid,
> Assistant Financial Controller, Castleknock Hotel

Castleknock Hotel is 4-star hotel near Dublin airport. Serving business travellers as well as tourists and locals, the hotel has offered online payments via third parties for several years – but the process has often proven uncomfortable for guests and frustrating for hotel staff.

A high percentage of the hotel's card-not-present transactions were done over the phone, but with staff time at a premium and protecting customer data a growing concern for the hospitality industry, something had to change.

In 2018, Castleknock Hotel adopted Prommt, the online payment method that meets the requirements of staff, customers and data privacy regulations alike. The hotel quickly saw customers responding more positively to the online payment process after implementing Prommt, which guests seem to have found more trustworthy and accessible than the third-party payment forms used by the hotel previously.

Prommt is the smart way to request and receive payments from your customers quickly, conveniently and securely using SMS and email. We help organisations of all sizes save time, reduce costs and get paid faster.

tel: +353 1 539 2300

www.prommt.com

Get Paid Faster

Prommt accelerates guest payment collection. You can stay on top of all payment communications and payments received and issue reminders and refunds at the touch of a button. Unlike manual payment collection by phone, you can send multiple payment requests and receive multiple payments simultaneously.

Reduce Collection Costs

Whether you are sending invoices and reminders by post or chasing payments over the phone, Prommt's customer friendly, GDPR-compliant Recurring and Autocharge Payment plans can greatly reduce the time and cost of your payment collection.

Secure & Compliant

With Prommt, no card details are passed between you, your customers or your staff, therefore the risks of card numbers being inadvertently stolen or compromised are greatly reduced. 3D Secure can also be applied to further minimise the fraud risk and ensure your compliance with new Secure Customer Authentication (SCA). A GDPR-compliant opt-in is included as a single click activation, so you can ask the customer to consent to your ongoing marketing messages in a fully compliant manner.

Stored Card Payments

Prommt's Autocharge feature is a more secure and convenient solution for stored card payments. Because the customer card details are tokenised and stored with your payment gateway, there is no need to view or store the card details locally. Autocharge enables your hotel to charge extras such as room service, spa treatments, and any other items to your guests' card while eliminating the risk of compromising sensitive card data and helping to minimise chargeback risks.

More Time For You & Your Guests

Avoiding taking card payments over the phone frees up your staff's time to spend on more productive activities - like making your guests feel even more welcome! Your guests will save time too: with Prommt they can complete your payment request at a time that is most convenient time for them.