



THE NEW FRONTIER OF PAYMENTS

7 SOLUTIONS TO HELP RESTAURANTS AND HOTELS ENABLE PAYMENT INNOVATION READINESS



Research reveals that mobile capabilities influence consumers' restaurant and hotel selections. Integrating emerging and mobile payment options puts the control of payments back in the hands of consumers, allowing them to pay how, when and where they want, often without money exchanging hands or payment card leaving their person. Payment innovations further improve speed and service, by fostering seamless experiences for guests and can potentially yield higher sales.

Innovations such as e-wallets, PayPal and online bank transfers can improve speed and service by fostering fast and seamless payment experiences, and offer the potential to drive conversions, loyalty and incremental revenue. Mobile is a major catalyst for making alternative payments more popular, but uncertainty surrounding timing, payback, and security has kept many organizations playing wait-and-see. This is not the time for hesitance, however!

Worldpay (www.worldpay.com) predicts that 59% of payments globally will be made via alternative payment methods this year. Meanwhile, findings from HT's 2016 *Customer Engagement Technology Study* reveal that three out of five diners (61%) want mobile payment but less than half of restaurants offer it. Looking at the hotel side, the report indicates that guests increasingly seek frictionless experiences throughout the stay via smartphones. Mobile payments is a natural extension of this.

Following are seven perceived problems and real solutions to make alternative payments an actual business benefit.

1. Concern: Ensuring a return on investment

Solution: By researching the benefits of some of the market-leading solutions, hospitality organizations will see potential for ROI through:

- Higher conversion rates. When payment is fast and frictionless, research shows consumers are more likely to convert. Since Wyndham Worldwide (www.wyndhamworldwide.com) began offering e-wallet through MyCheck (www.mycheck.io), for example, conversion rates increased even more than they expected, says Barry Goldstein, chief digital and distribution officer for Wyndham. That's particularly the case on mobile, where keying in card data is less convenient.

"We knew that we could increase conversions and that could fund the whole project," Goldstein says. "We saw a lot more bookings quickly shift as soon as we offered the wallet particularly on all devices."

- Incremental revenue. The faster and easier it is to buy, the less time guests spend reconsidering the purchase.

- Increased loyalty. Seamless integration with operators' loyalty programs makes it easy for guests to store multiple payment types and initiate bookings without extra steps.

Wyndham's scale — from economy through luxury in 77 countries — helped the brand to quickly see that it had to be conscious of offering more than just the traditional forms of payment, Goldstein says. "I think anyone who's considering this should think about it globally and with many different forms because I think it's really helped attract customers."

EXECUTIVE Q & A

Preparing Networks for Payment Innovation



ANITA PANDEY,
VP OF
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What's different about how newer payment options approach security?

PANDEY: While e-wallet and mobile payment security implementations vary by vendor, all contactless payment technologies encrypt data and most require a PIN or can integrate multifactor

authentication such as a fingerprint scan. During a purchase, a token is sent instead of a credit/debit card number. This is accompanied by a one-time code generated by the mobile device's encryption key and is unique to every transaction. Notably, if a device is stolen, it can be remotely wiped. Some vendor solutions also provide 100% fraud protection.

Because these newer forms of payment use encryption and tokenization along with multi-factor authentication, the multiple lines of defense do increase the difficulty level of an attack and raise the level of protection on sensitive data. However, no defense completely eliminates all forms of attack. Training personnel on security best practices, rapid security updates, continuous monitoring and regular PEN testing should also be considered for rapid remediation and proactive forms of defense.

What network impacts should operators consider as they look to add alternatives to payment options?

PANDEY: Possible considerations include:

- Does the network need redesign or integration to accommodate the new solution and if so, how much?
- Can the solution be consistently and easily replicated across all sites despite the variability of networks? How much of a hurdle is it for franchise adoption both from a cost and IT perspective?
- Can security updates be made rapidly

regardless of whether onsite IT personnel exist or not at other sites?

- Since a primary objective of mobile payments is convenience, what is the customer usability of the solution? Is the network bandwidth and resilience sufficient to support peak levels of transaction volumes without latency?
- What forms of business continuity exist if a primary link goes down?
- Does the added security feel transparent to the customer or add noticeable transaction delay?

What are some important steps to help ensure high wireless network performance and solid security support?

PANDEY: Augmenting mobile broadband with 3G/4G LTE with a highly performant Wi-Fi network is also considered table-stakes. If the site requires several access points, ensure you conduct a site survey for optimal placement of access points for reliable, continuous signal coverage.

Because software-defined networks (SD-WAN) provide hybrid wireless and wired connectivity options across all these connectivity types and do so in a very cost-effective manner, they should be a prime consideration. Moreover, consolidating a multitude of networking and security functions into a single cloud-managed platform that can be installed with no onsite security/IT expertise, provides a defense-in-depth security approach while eliminating integration and maintenance costs.

What role should end-to-end segmentation play in security?

PANDEY: SD-WAN network segmentation isolates each application into its own network, preventing the commingling of application traffic. This prevents lateral breach propagation across applications. By isolating payment and cardholder data into its own segment, it is also possible to narrow the scope of PCI audits since they apply only to the network segment carrying that data.



2. CONCERN: Knowing when to add new methods and what to choose

SOLUTION: The perfect time to prepare for new payment types is before competition and guest demand forces it. Signs indicate consumers are warming to new payment options:

The Pew Charitable Trusts found Millennials and Gen Xers are especially motivated to use mobile payments to get rewards, discounts, alerts, and electronic receipts, as well as avoid fees. Consumers see mobile payments as faster and easier than other payment methods.

It's important to monitor guest demand closely. Wyndham saw opportunity now because some of its brands draw strong walk-in business. After completing implementation of Visa Checkout and Masterpass, both Wyndham and Red Lion Hotels Corp. (RLHC, www.redlion.com) plan to add PayPal and then vehicles such as UnionPay and Alipay to serve their high volumes of Chinese clientele. Both started by adding MyCheck wallets to their loyalty programs.

3. CONCERN: Complicating the guest transaction experience

SOLUTION: Done right, alternative payments make transactions fast and more frictionless than traditional payment. To get there, it's important to select vendors and integration carefully.

RLHC found some wallet providers without hospitality experience were not always prepared to go beyond online, immediate transactions to things like pre-paid reservations, in-person e-wallet payment and integration with POS, CRS, loyalty and on-property systems. It's important that business model and the

amount of required integration work are a match, says John Edwards, CIO of RLHC.

Explore how the payment method will work through every step, suggests Heartland Payment Systems (www.heartlandpaymentsystems.com). Make sure a transaction is frictionless in every channel.

To create the best strategy to make selection and adoption of alternative payment methods seamless for guests, Elavon (www.elavon.com) recommends an organization-wide collaboration: Not just accounting staff, but also marketing, sales, IT, distribution and e-commerce.

4. CONCERN: Making sure it's easy to add new payment methods in the future

SOLUTION: Hospitality companies need to set up a framework so adding a new payment type is easy. For many operators, the easiest path is to choose a partner that already has alternative payments set up and processes established to easily add more.

Shift4 (www.shift4.com) recommends two key qualities. First, independence, so the provider can work with multiple processors and hardware and software vendors to allow hospitality operators to change these without having to completely uproot their payment processing ecosystem. Second, on the tech side, the ability to provide a semi-integrated solution allows the provider to do the technical heavy lifting making the necessary changes seamless and near-transparent to the operator.

According to Verifone (www.verifone.com), semi-integrated is generally defined as a payments architecture where the POS and the payments infrastructure are logically isolated, thereby providing a segmentation of roles and responsibilities, a better approach to ensure security, functional agility, and reliability.

When it changed payment partners in the midst of a mobile rollout, FSC Franchise Company, which operates 220 Beef 'O' Brady (www.beefobradys.com) sports pubs and 43 The Brass Tap (www.brasstap-beerbar.com) bars, laid the groundwork for alternative payments by choosing a provider that already offered some options.

Joe Uhl, COO at FSC, says his restaurants will be able to take some of the newer payment vehicles including ApplePay and PayPal. FSC is waiting for demand to pick up before activating these options. Once demand is there, "we can easily implement it with this system."

5. CONCERN: Building and maintaining integrations

SOLUTION: Choose a provider that integrates with

Pictured Above: FSC Franchise Company used a mobile POS upgrade as an opportunity to lay the groundwork for mobile payment acceptance, preparing for when demand from consumers increases.

EXECUTIVE Q & A

Creating a Payment Innovation Strategy



**CELINE
HELDERMAN,
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What are the top reasons for adding alternative payment methods?

HELDERMAN: I'd say the top three are as follows:

1. Offering customer and guest convenience. Providing "order ahead" and "prepayment" mobile payment options allow the connected generation to

move at their pace and increase the customer experience.

2. Rewarding customer and guest loyalty. By linking mobile, alternate payment methods, and rewards programs, companies are able to upsell goods and services to "points" users.

3. Revenue and Cost Reduction. Deploying alternative payment methods allows restaurants to realize revenue in a timelier manner, eliminate the overhead of some traditional processes to create more service friendly processes, and decrease the cost of card acceptance.

Do alternative payments impact conversion rates, table turns or other benefits?

HELDERMAN: The connected generation would much rather book a restaurant reservation using a mobile device and their stored payment credentials than making a phone call to perform the same task. Similarly, pay at the table mobile solutions offer customers the convenience of obtaining the check, splitting it any number of times, and paying from stored credentials on their mobile phone without interacting with a waiter. Such technology supporting alternative payments will increase table turns, customer volume, and ultimately revenue.

In lodging, mobile check-in and checkout solutions offer similar enhanced user experiences. Hotels typically use technology, which includes alternate payment methods, to upsell and upgrade services to their guest. While alternate payments might attract some new guests, hotels are seeing

alternative payments as a tool for enhancing an existing loyalty member or current guest's overall stay and payment experience.

For both industries, alternative payments are likely to draw new customers, build loyalty, and elevate customer satisfaction by simplifying processes and providing options.

What do merchants need to consider in terms of security and PCI compliance?

HELDERMAN: PCI DSS is a mandated standard for branded cards management. When the merchants offer a combination of card and alternative payment options, the merchants still need to comply with PCI. In addition, standard security around protecting the consumer's personal data should still be considered a priority by the merchants. Any technology that supports alternative payments should be thoroughly vetted and regularly inspected by security professionals.

How can merchants weigh the potential investments, against the benefits?

HELDERMAN: Today, the acceptance of some alternative payment methods requires only limited investment (e.g., today, any merchants accepting mag stripe card through a MSR contactless-capable reader can accept ApplePay). However, most alternative payments (such as virtual wallets or local methods of payment) will require significant investment and changes to current systems and processes. Systems that may be impacted include:

- Merchant websites
- In-store POS/PMS
- Merchant mobile websites or mobile apps

Vendors from all industries are setting up partnerships to make it easier for merchants to implement solutions that are already end-to-end integrated. Consulting with trusted payment advisors to find solutions that fit your environment and needs is critical.



your security, loyalty, CRS, POS and other essential systems to limit integration work.

RLHC chose MyCheck's wallet in part because it integrates with their CRS and loyalty programs while shielding them from the details of integrating new payment methods.

"The way that we are currently architecting the solution really creates a wallet architecture," Edwards says. "We will then start to bolt other solutions into that single architecture, which allows us to be much more nimble. We now have one integration between our core systems and MyCheck and it allows MyCheck to be the gateway to that integration point."

That prevents a lot of future integration work, such as integrating Alipay with Aloha POS.

Unlike those above property, in-person transactions "require some lifting on our side," Goldstein says. One issue was with authorizing the card before the guest arrives on property for a traditional (not pre-paid) reservation — something hotels typically do manually today. The team needed to create an automated way to hold the transaction until arrival.

"The challenge we will have is when you do remote check-in or prior to arrival it will do an automatic authorization. We're working on how to make that much more effective," Goldstein says.

6. CONCERN: Boggling down settlement, reconciliation

SOLUTIONS: Often each location has its own merchant relationship in addition to the overall corporate partnership with a gateway, and online processing may use a different provider than on premise. That doesn't mean

alternative payments have to be settled separately.

Alternative Payments (www.alternativepayments.com) says vendors can use APIs to unify alternative and traditional payments into a single platform. It is important to choose flexible providers that already offer several methods as well as a process for additions.

"When we architected this originally we were really focused on making sure that our properties were not going to be forced to make any sweeping changes," Edwards says. "So any changes that we'll be rolling out will be more integration type solution sets. I don't expect any of our franchise locations to be forced to change anything around processor agreements or their card solution sets."

Because card-based payments ultimately go through the same processing system, there is only one settlement process.

7. CONCERN: Potential PCI and security impact

SOLUTION: Newer payment services can enhance security thanks to techniques such as SMS verification and redirect of online bank transfers to customer e-banking, according to Alternative Payments. Many also embrace tokenization and encryption.

For payment methods that tie into existing card payment systems, ControlScan (www.controlscan.com) says a best practice is to consult a PCI Qualified Security Assessor (QSA) to better understand the potential impacts and any alternative options that could be more cost effective. For non-card based payment methods, Braintree (www.braintreepayments.com) recommends closely examining data and privacy protections for consumers and merchants.

Consider the impact of the business model. Wyndham chose a third-party provider in part because its remote hosting helps with PCI.

For RLHC, ensuring any potential partner that deals with credit cards could integrate into its brand-wide Merchant Link (www.merchantlink.com) tokenization and encryption solution and standards and could provide level one security was key.

"We're asking our guests to trust us enough to give us their credit card data," Edwards says. "So finding the right vendor that works with our security requirements and platform is really important."

Experts predict demand for alternative payments will only increase. Laying the groundwork to add new payment types now means hospitality organizations can add and change payment methods easily as guest preferences continue to shift. **HT**

Pictured Above: RLHC makes sure that any potential partner that deals with credit cards can integrate into its brand-wide Merchant Link tokenization and encryption solution and standards and can provide level one security.

EXECUTIVE Q & A

Key Questions to Ask Payment Partners



ROBERTA BRAUM,
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When should a hospitality organization consider adding alternative payment options?

BRAUM: Payment alternatives should be consistent with the guest population being served. Baby Boomers tend to prefer the traditional “swipe” method.

Younger populations will likely be looking for a contactless (NFC) experience for speed and convenience. Knowing the audience is an important factor when selecting the right payment alternative.

What have you observed with chip card transactions now that the industry is moving away from magnetic stripe?

BRAUM: Transaction speed has been a common concern for new chip terminals. Even though the delay is measured in seconds, the delay in service can impact revenue where speed of service is important such as quick-serve dining. Some operators are opting to keep magnetic stripe to keep lines moving efficiently.

Contactless transactions speed up the guest’s perception of transaction time. With a tap of their card, phone, or watch, the guest doesn’t need to wait on the transaction completion before putting away their card or phone. Quick Chip or M/Chip provide a similar experience by allowing the guest to dip their card and remove it immediately. This creates the perception of quicker service and even allows the line to move more quickly.

What questions should operators ask their POS and/or gateway provider to ensure they select a solution that is right for their business?

BRAUM: New technologies will continue to challenge the balance between data security, transaction fraud risk and guest experience. Some

questions to consider:

1. Is the gateway, and the transactions processed via the POS, a PCI-validated point-to-point encrypted (P2PE) gateway that will reduce the organization’s PCI scope and costs? A validated P2PE gateway secures card data with no impact to the transaction flow. Knowing how the card data is secured can help mitigate a data breach without impacting guest experience.

2. Evaluating the risk and the needs of my business, what should I consider before implementing EMV? What is my business risk from counterfeit card fraud?

3. Should payment terminals be customer-facing? Chip and Signature protects the merchant against most of the liability risk and allows the payment terminal to be managed by the employee. Deciding whether to configure terminals to be guest-facing is a consumer experience question and the answer will depend on the guest profile and operational workflow.

4. How should I manage on-line payments? Data security, guest experience and fraud risk are important factors that must be considered. Ensuring the data is secure and PCI compliant from the browser to the payment gateway is critical. The cost of authorizing the card and the friction created when requiring a CVV number, for example, may be important when selling a gift card, but may not make sense for holding a dinner reservation.

What are some emerging technologies that will remove friction from the payment experience?

BRAUM: Contactless payments using mobile wallets such as Apple Pay reduce payment friction. Emerging mobile applications will allow guests to skip the line by checking into their hotel and paying using their card on file. Guests can also pay for their meal at their convenience and depart without waiting for the check.