

Hotel Business Review

Finance & Investment

Micropayments: The Benefits of Cashless Room Key Payments for Small-ticket Purchases

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Mr. Carr

Each traveler seeks something unique from his or her hotel experience. For some, the goal is to find a home away from home; for others it's being treated to luxury and indulgence. Regardless of the objective, there are two mainstays of the traveler's expectations: convenience and service.

That combination becomes even sweeter when its delivery increases efficiency in hotel operations. This is the opportunity that presents itself when we examine the integration of cashless small-ticket purchases through key card payments with property management system software — and how it can benefit your guests and your bottom line.

Payments Evolution

Cashless payment is nothing new. The words “put it on my tab” were certainly uttered long before “debit or credit” became a common phrase. Consumers are always looking for safe ways to make purchases that require as little hassle as possible.

Over the past century since the concept of credit began to make its way into the mainstream in the form of proprietary cards, Americans have witnessed a fascinating evolution in how consumers pay for goods and services. In the hospitality industry — where offering convenience to guests is a priority — it only makes sense that cashless technology has made its way into the fiber of the business.

Hoteliers throughout the world have stayed on top of trends in cashless payment for years. From “a la carte” to “all-inclusive” and everything in between, hoteliers are finding that travelers want to keep payment simple when they are away from home.

The Small Stuff Adds Up

It's common to see something like a meal in the hotel's restaurant or a movie rental applied to a guest's final folio. And with advances in payments technology, guests can even include spending on small purchases — like at vending machines, in the gift shop and arcades — into their room charges. These small purchases — typically under \$10 — are referred to as micropayments.

Micropayments is a buzz word these days, particularly in tech circles. The online gaming industry has had an impressive push for micropayments options as people increasingly invest in the lives of their avatars. And the move to virtual newspapers has spawned idea after idea about how to make daily journalism profitable again. In the lodging industry there seems to be plenty of “micropayments” made each day. A morning coffee at the hotel kiosk. A bag of chips for an afternoon snack. A fun bar game in the lounge during happy hour.

Managing micropayments via cashless room key payments can offer several great benefits to hoteliers seeking the opportunity to offer guests an alternative to carrying around cash and coins.

By integrating purchases like vending, arcade games, laundry services and even parking into their final folios, guests can make one single payment for all of their purchasing activities. How does this benefit the hotel? For one thing, with a single integrated payment, your hotel can save on interchange fees for multiple card purchases by the same guest.

About Interchange Fees

Interchange is the fee charged for passing financial transactional information back and forth between you (the merchant), a payments processor, the bankcard companies and the banks that issue credit, debit and prepaid cards. The fee, which is a percentage of the actual transaction amount, is imposed by the bankcard company and you pay it on every card transaction you process.

In addition, merchants are also charged an additional percentage or a per-transaction rate for services provided by the processor. These charges add up — cutting into your bottom line.

To paint a clearer picture of how these charges are applied in the micropayments arena, here is an example:

Fred is a frequent business traveler. Most nights after dinner, Fred likes to treat himself to a candy bar. During a recent business trip, he made five separate candy bar purchases at his hotel's gift shop totaling \$5. The particular credit card he used qualified for an interchange rate of 1.54% plus a \$0.10 per-transaction fee. By the end of his stay, his candy bar habit cost the hotel \$0.58, or more than 10% of the value of the bars.

Several weeks later, he took another trip to a hotel with a vending machine equipped with a room key payment feature with property management system integration. Fred bought another five candy bars — and two bottles of water — for \$7.50. This time, although the purchases were again billed to his credit card, they were included with the total charge for his stay. Therefore, the hotel's interchange fee was 1.54% of the purchase plus the one-time transaction fee of \$0.10. During this stay, Fred's candy bar habit only cost the hotel \$0.22. What's more, Fred completed a customer questionnaire applauding the convenience of the hotel's room key payment method.

Integrated Enhancement

The integration of room key card payments with your property management system also provides other benefits for your hotel's operations.

Purchases post instantaneously for the most up-to-the-minute reporting and an accurate, complete statement of the balance due upon checkout. With the consolidation of guests' on-site expenditures, account reconciliation is simple and streamlined for both your back-

office staff and your guests.

Also, like Fred in the above example, with the ease of payment you may see an increase in small-ticket purchases.

On the Horizon

Whether it's a posh resort in Europe or a rustic New England inn, travelers are enjoying a host of amenities without having to carry cash. And the possibilities are seemingly endless.

As technology continues to progress, we are hearing of more and more advances on the horizon. Already, contactless options are making their way into the market. In August, ARIA at CityCenter in Las Vegas announced RFID (Radio Frequency Identification Device) bracelets for their guests to access their hotel rooms without the concern of lost cards or accidental deactivation due to proximity to a cell phone or credit card. This technology is also used for both room access and on-site payments at places like any of the Great Wolf Resort and Waterpark locations.

Smartphones are also finding a place in the lodging industry as application developers are hard at work finding ways to enable smartphones to provide access to hotel rooms, carving out a route to even simpler payment options in the not-so-distant future.

These are all exciting changes that may just open your doors to new conveniences — and new guests.

Bob Carr is chairman and chief executive officer of Heartland Payment Systems — the nation's fifth largest payments processor and the official preferred provider of card processing, gift marketing, check management, payroll and tip management services for the American Hotel & Lodging Association and 38 state lodging associations. In line with Heartland's commitment to merchant advocacy and education, Mr. Carr spearheaded The Merchant Bill of Rights (www.merchantbillofrights.org) to promote fair credit and debit card processing practices for all business owners. He has also been a driving force in the enhancement of payment card security with E3™ (www.E3secure.com), Heartland's end-to-end encryption technology. Mr. Carr can be contacted at Bob.Carr@e-hps.com



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