



The six challenges facing hospitality payments

(and how to solve them)

Introduction

Payments sit at the center of the hospitality experience. From online bookings to on-property spend, every transaction impacts revenue, costs, and guest satisfaction. Yet for many hotel groups, payment operations are fragmented and hard to control.

Hotels operate across multiple properties, regions, and booking channels, relying on a mix of Property Management Systems (PMSs), Payment Service Providers (PSPs), acquirers, Online Travel Agencies (OTAs), and on-site point-of-sale systems. Each layer adds fees, complexity, and data silos. The result is higher processing costs, limited visibility, and manual work.

At the same time, guest expectations are rising. Travelers expect flexible payment options, consistent experiences, and secure transactions across every touchpoint.

This report explores the 6 key challenges facing hospitality businesses today and how modern payment infrastructure can help them reduce friction and scale with confidence.



01

High payment processing costs

Hotels spend a staggering \$21 billion annually on payment costs, with additional losses from fraud, chargebacks, and reconciliation inefficiencies (EDC, 2024).

Every transaction comes with fees, from card processing costs and cross-border payment charges, to foreign exchange fees – all cutting into revenue.

Beyond these direct costs, inefficient payment operations slow down settlements, create reconciliation headaches, and limit cash flow visibility. Without a better payment strategy and system in place, hotels are losing money and risking financial instability in the long run.

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02

Fragmented payment setups

Unlike airlines, where brands typically process payments under a centralized system, most hotel chains operate under franchise or management contract models.

In mature markets like the US, 93% of hotels are franchised, meaning each property acts as its own Merchant of Record (MoR), managing its own Payment Service Providers (PSP), acquirers, and reconciliation processes (Skift, 2019).

However, hotels don't always manage payments entirely on their own. Many rely on Property Management Systems (PMS), which integrate with booking engines, OTAs, and channel managers. These platforms facilitate payment flows by connecting hotels to payment providers, but the decentralized nature of these integrations can still lead to

inconsistencies in guest experiences, higher operational costs, and limited data visibility across different properties and regions.

Many hotel brands set preferred payment partnerships, but in practice, individual hotels frequently choose their own processors.

For example, a global hotel brand might partner with a specific payment processor, but a franchisee in Spain could still opt for a local provider.

A centralized approach can reduce costs, improve fraud prevention, and give hotels stronger negotiating power on processing rates.

The decentralized setup creates key challenges for hotel chains:

Fragmented franchise operations

Individual properties often operate independently, making unified payment systems difficult to implement.

Lack of unified infrastructure

Hotels rely on different PSPs, PMSs, and integration layers, making upgrades or standardization across properties time-consuming and complex.

No clear ownership of payment operations

It's often unclear who manages fraud, chargebacks, and reconciliation across locations.

03

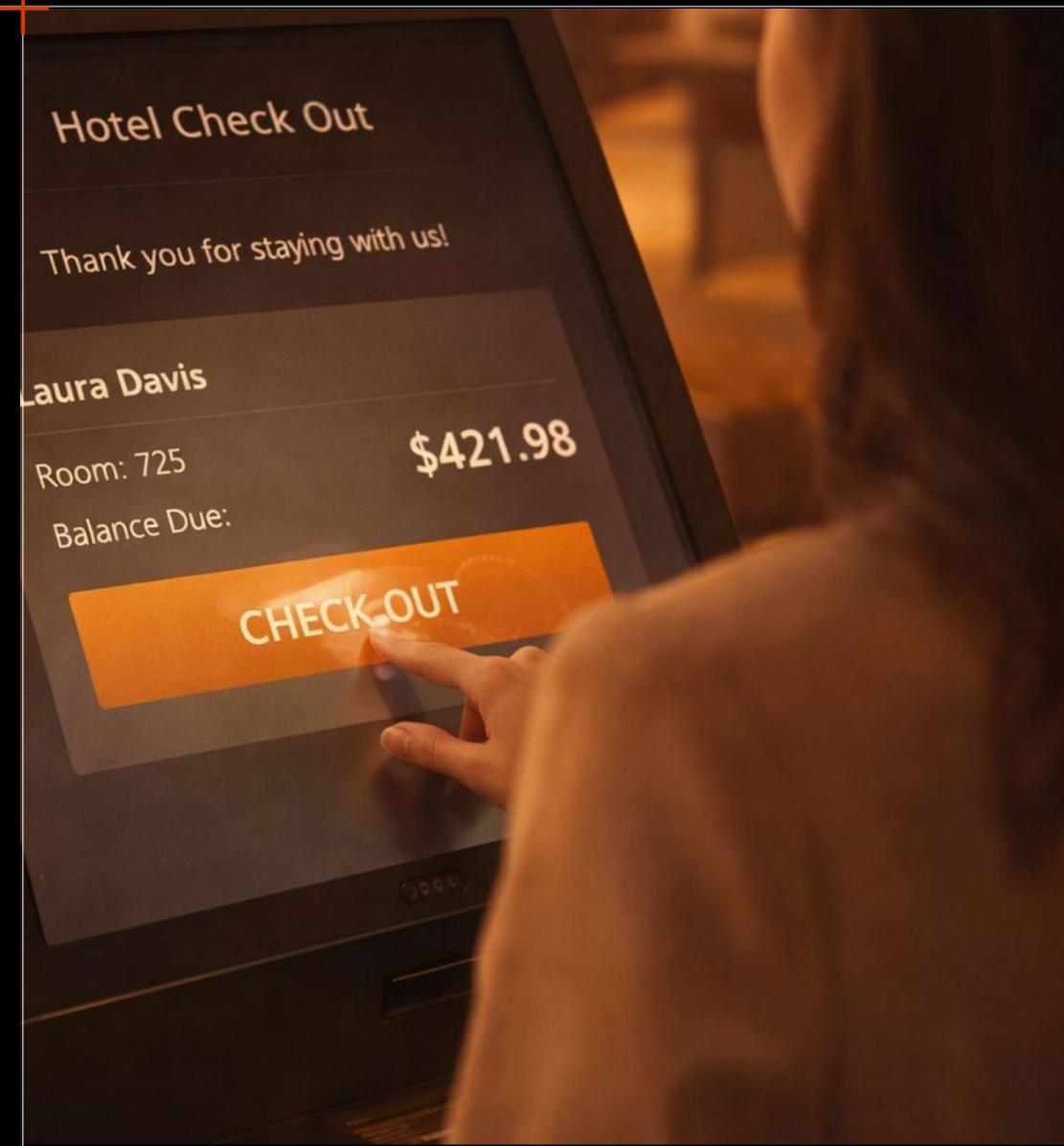
Lack of omnichannel payment integrations

Hotels process payments across multiple guest touchpoints, ranging from online bookings (hotel websites, OTAs, mobile apps) to on-site transactions (check-in desks, kiosks, POS at restaurants, spas, and shops), and even call centers or emails.

Guests may not see the fragmented systems behind the scenes, but they often feel the effects, like repeated steps or failed payments. Ensuring a consistent payment experience across these touchpoints is the essence of an omnichannel strategy.

But these payment flows are often fragmented, leading to inconsistent guest experiences, operational inefficiencies, and limited data visibility.

A further layer of complexity lies in how these payments are processed behind the scenes, particularly in the Merchant of Record (MoR) model, which varies depending on the booking channel.





**Indirect channels
(OTAs, travel intermediaries):**

Some follow the agency model, where the OTA provides the guest's card details, but the hotel processes the payment as the Merchant of Record (MoR). Others use the merchant model, where the OTA processes payments and later remits funds to the hotel.

**Direct channels
(hotel websites, apps, call centers):**

The hotel property acts as the MoR, processing payments through its acquirer and payment partners.

This multi-layered system extends beyond booking to on-property payments, where different outlets (restaurants, spas, retail) often operate separate payment setups and systems.

Even when hotels use Property Management Systems (PMS) to manage reservations and operations, many lack full integration with POS systems, payment providers, and OTAs. This fragmentation makes reconciliation difficult and leads to inconsistent payment experiences for guests.

Some hotel brands have attempted to standardize payments across properties by requiring specific POS devices and contactless acceptance. However, achieving true omnichannel payment integration, where all payment methods work seamlessly across every touchpoint, remains a major challenge for the industry.

04

Limited payment options

Travelers today expect flexibility in how they pay, but many hotel chains lag behind in offering alternative payment methods (APMs) such as Buy Now Pay Later (BNPL), digital wallets, and bank transfers. While airlines and OTAs have embraced these options, most hotels still rely heavily on card payments, limiting choices for guests.

A recent consumer survey found that 74% of travelers abandon their hotel booking if their preferred payment method isn't available (EDC & Nuvei, 2023). This means hotels are losing potential revenue simply by not offering the payment options guests expect.

Even when hotels recognize the need for APMs, adoption remains slow and inconsistent. Many hotels rely on PMSs and payment service providers to enable alternative payment methods. However, while some PMSs support digital wallets and BNPL, others still prioritize card payments.

A recent analysis of 40+ top-tier hotel chains in the US and UK found that all exclusively accepted card payments, showing that the industry remains heavily card-centric (EDC, 2024).

This is a missed opportunity, especially considering that younger travelers (18-35) are 75% more likely to choose a hotel based on available payment options (Skift Research, 2023).

To stay competitive, hotels and PMSs must expand their payment options and ensure a seamless experience across regions. A more inclusive payment strategy can reduce booking abandonment, enhance guest satisfaction, and open up new revenue opportunities.



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05

Underutilization of payment data

Hotels process millions of transactions every year, yet most fail to leverage payment data effectively. Instead of using it for guest insights, loyalty programs, or operational improvements, transaction data often remains siloed within different departments, limiting its potential impact.

A recent study found that 50% of hospitality businesses in the U.S. struggle to analyze guest behavior, making it difficult to understand spending patterns, personalize experiences, or optimize pricing strategies (Adyen, 2023).

Without a structured approach to payment data, hotels face several key challenges:

- Missed personalization opportunities → Guests receive generic offers instead of tailored promotions based on their spending habits.
- Inefficient loyalty programs → Many programs reward nights stayed rather than actual spending behavior, leading to lower engagement.
- Lack of operational visibility → Without centralized reporting, hotels struggle to track revenue trends, optimize pricing, or forecast demand accurately.
- Better integration between PMSs, payment providers, and analytics tools can help hotels gain a full view of guest behavior and spending patterns.

As payment experiences become more data-driven, hotels that fail to utilize their transaction insights risk falling behind competitors that offer more personalized and seamless guest experiences.



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06

Fraud & chargeback challenges

from 2023-2024, chargeback volumes in online travel and lodging surged by

816%

Fraudulent transactions and chargebacks remain persistent challenges for hotel chains, leading to both financial losses and operational disruption. Despite growing security investments, many properties still rely on outdated practices – such as accepting credit card authorization forms via fax or email – that increase fraud exposure and hinder dispute resolution.

According to Sift data, chargeback volumes in online travel and lodging surged by 816% year-over-year, driven by a combination of merchant error, true fraud, and “friendly fraud” – where guests bypass hotel refund processes and file disputes directly with their banks (Sift, 2024).

Additionally, independent hoteliers lost over \$2 million to fraud and chargebacks in 2024, according to the Adyen Hospitality Report (Adyen, 2024).

Delayed card validation further contributes to the problem. While many global hotels use \$0 authorizations to validate cards at the time of booking, a large number – particularly in markets like the U.S. – only perform verification at check-in. This late validation increases the risk of fraudulent bookings going undetected until it’s too late.

Security concerns are further amplified by the growing threat of cyberattacks. In a 2023 survey, 38% of North American hospitality businesses reported a rise in fraud attempts, and 37% experienced data breaches – underscoring the industry’s vulnerability (Adyen, 2023).

While hotels and PMS providers are required to comply with PCI DSS, compliance alone doesn’t guarantee protection – poor encryption or improper data handling can still expose sensitive cardholder information.





31% of hotels say manual reconciliation tasks are actively holding back their business growth (Adyen, 2023), as siloed payment systems across properties and channels lead to time-consuming manual work and higher error rates.

The average cost of a hospitality data breach is \$3.36 million, making security breaches a major financial risk (IBM, 2023).

With multiple payment touch-points to reconcile, from online bookings to in-hotel purchases, hotels face an overwhelming administrative burden that impacts profitability and efficiency. And while many hotels rely on their PMS to handle reconciliation, without proper integrations with payment service providers, errors and delays remain a major issue. Automating reconciliation through centralized analytics and reporting tools can significantly reduce manual work and risks.

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Turn payments into your competitive advantage

Payrails helps hospitality brands control payments end to end:

- Create seamless journeys with local APMs and multi-currency support
- Secure and optimize payments with tokenization, routing, and fraud protection
- Centralize operations with automated reconciliation and unified analytics

Contact our team to learn more



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