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Travel Tips: Instant Payments for Tips and Payouts in Travel and Hospitality

Money Mobility Tracker® Series

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JULY 2024
**Money Mobility Tracker®
Series**

The travel industry is poised for record highs in 2024, but pain points and inefficiencies in staff payments linger, threatening to dampen the forecast. Replacing legacy payment systems with instant payments could help the travel and hospitality sectors scale new heights.

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Acknowledgment

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Introduction

Travel spending is on a trajectory to reach an all-time high in 2024, making staffing for travel companies an even greater priority than ever. Outdated payment systems, however, have long posed significant challenges for travel and hospitality businesses, leading to slow payouts, delayed disbursements and reduced employee satisfaction and retention due to workers' inability to access digital tips promptly. A recent survey revealed that 66% of travel firms believe their current payment systems negatively impact their profit margins, primarily because of difficulties in retaining top talent.

Implementing digital instant payment systems could go a long way toward mitigating these issues. For instance, nearly 80% of workers indicated they would choose to receive instant tip payouts if available, yet their current employers do not offer this option. This gap represents a sizable opportunity for travel and hospitality businesses. By adopting instant payments and offering top-tier payroll benefits, firms stand to attract new employees and retain their top performers.



Challenges of Legacy Payments

Travel and Hospitality Firms Reckon With Outdated Payments

The travel and hospitality industries are facing a slow-boiling crisis due to their continued reliance on legacy payment systems such as paper checks. This resistance to change and failure to meet the growing demand for digital payments have resulted in lost profits, employee dissatisfaction and a range of other issues.



2 in 3

hospitality firms said their
current payment systems
have hurt profitability.



Challenges of Legacy Payments

Travelers often experience hiccups with credit cards, leading to lower tips for hospitality workers.

A recent survey of travel trends found that 73% of respondents have encountered [credit card](#) acceptance issues while traveling, and 45% reported abandoning a purchase because credit cards were not an accepted payment method. Such frictions could significantly impact potential tip earnings for travel and hospitality employees, as abandoned purchases naturally result in no tips. Updating payment methods to real-time rails or digital wallets could greatly improve employee tip payouts. These technologies reduce the likelihood of payment declines by utilizing [card tokens](#) as well as advanced customer authentication measures, which can enhance banks' and card issuers' more confidence in verifying the user's identity as genuine rather than fraudulent.



Challenges of Legacy Payments

Legacy payments are eating into travel margins.

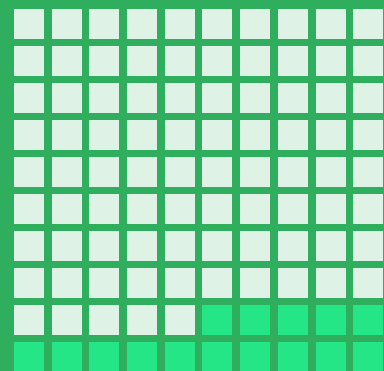
According to a newly published study, two-thirds of travel companies reported that their current payment systems have weakened their profitability due to various factors. Seventy percent of travel executives said they spend significant time reconciling payment information across different countries and markets, which results in increased overtime payroll expenses for accounting departments. Other factors impacting margins include multicurrency settlements and fraud risk, both of which create bottlenecks in payment processes, preventing timely payroll and disbursements.



Worker Satisfaction With Instant Payroll

Employees Favor Instant Payments

One of the most critical issues facing the travel and hospitality sectors is [staffing](#), with hotels, restaurants and food services facing annual turnover rates of up to 105%. Offering instant payroll could help attract new employees and retain existing staff.



85%
of hospitality workers who
received [instant digital
payouts](#) are highly satisfied
with this method.



Worker Satisfaction With Instant Payroll

79% of hospitality workers would choose to receive tips through instant channels if given the option.

Despite this demand, just 31% of workers received their [tips in real time](#) at least once, and only 23% received their tips most often through these channels. Among workers with access to instant payouts, 85% said they were highly satisfied with this payment method. The fact that such a small share of hospitality workers receive instant payouts — despite widespread demand and satisfaction — suggests that employers either do not understand the potential of instant payment systems or believe these technologies are too complex to implement.



Worker Satisfaction With Instant Payroll

Hospitality firms are quickly adopting instant tips and payroll.

Firms recognizing the potential advantages of instant payroll and tips are forging ahead with new partnerships and implementations. Curator Hotel and Resort Collection, for example, recently partnered with [digital tipping platform](#) eTip to streamline and consolidate the tipping process, a boon for operators, guests and workers alike. The solution allows digital gratuities to be instantly transferred to workers' digital wallets for immediate use. The system also supports financial wellness features such as emergency savings and credit-building tools.

Meanwhile, tip management solution provider TipHaus has teamed up with Visa to [digitize tip payouts](#) to hospitality staff. This partnership gives workers immediate access to digital gratuities as if they were cash. The solution eliminates the need for workers to wait for their tips to be included in their paychecks.



Travel and Hospitality Payment Upgrades

Implementing Instant Payments in Travel and Hospitality

Travel and hospitality firms worldwide are adopting new instant payment technologies to improve logistics for their employees.



33%

of travel payment companies
are planning to implement
payment orchestration.



Travel and Hospitality Payment Upgrades

Travel firms are increasing their investments in payment upgrades.

A recent survey found that overall spending on [travel payment improvements](#) is projected to rise by 12% through 2024. These investments encompass a range of initiatives. For example, one-third of travel payment companies plan to implement payment orchestration in the next 12 months. This could greatly accelerate internal payments logistics by preventing incomplete or delayed payments. On the back end, one-third of corporate travel managers indicated their firms intend to digitize their expense management processes. This change could encourage employees to tip better while traveling, as they will be reimbursed faster.

Elavon recently introduced an embedded solution for hospitality payments.

This advancement helps hotels and other hospitality-related businesses manage [digital and in-person payments](#) via an embedded application programming interface (API). It allows firms to easily add new locations and devices, benefit from fraud protection capabilities, and stay up to date on features and patches with automatic software updates. These features simplify the adoption of faster payment systems compared to developing and maintaining in-house solutions. According to an Elavon press release, the new API scales payments, supports third-party payment providers and meets PCI compliance standards.

Call to Action

Improving Employee Satisfaction by Accelerating Payouts

Travel and hospitality firms can significantly improve employee satisfaction by leveraging payments technology to accelerate tips and disbursements. This addresses and alleviates key pain points for workers in the industry while enhancing operational efficiency.

Modern payment platforms facilitate the adoption of digital tipping systems, allowing guests to tip easily and conveniently through mobile apps or contactless payment methods. This can increase both the frequency and amount of tips received by staff by removing friction from the tipping process. In addition, real-time payment technologies allow for the instant disbursement of these payouts and other earnings to employees. Immediate access to funds can greatly improve financial well-being, especially for workers living paycheck to paycheck.



Moreover, advanced payment systems can streamline administrative tasks related to payroll and tip distribution, reducing the workload on management and minimizing errors. As a result, staff can focus more on guest service rather than back-office tasks.

By offering these innovative digital payment solutions, travel and hospitality firms can differentiate themselves in a competitive job market. The ability to promote benefits like immediate access to tips and earnings can help companies better attract and retain talent. Ultimately, this enhances employees' overall job satisfaction, leading to improved guest experiences and higher return rates from satisfied customers.

About

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[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what’s now and what’s next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world’s leading publicly traded and privately held firms.

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[Ingo Payments](#) is the money mobility company. Our mission is to give people and businesses instant, digital and secure access to their money. We provide embedded API and iframe-supported payment solutions and deliver fully digital, cloud-based platforms that bridge the gap between legacy payments infrastructure and new payments technologies to deliver modern, bespoke payment experiences. Whether it’s instant account funding, payments or payouts, businesses can count on Ingo to tailor our platform and services to meet their needs. Headquartered in Alpharetta, Georgia, Ingo employs more than 240 professionals and serves some of the largest brands in North America.

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