



How Blockchain Technology Can Impact Hospitality

5 Steps to Prepare Your Business



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Are You Ready for the Future of Payments?

As blockchain makes its way from a novel technology to more common usage, many industries are looking for ways to leverage its unique capabilities. While it's been predicted that blockchain will radically change payments and contracts, right now the technology is new enough that the bigger question for many is: Where to start?

Gabriel Kurman, co-founder of RSK Labs, the first open-source smart contract platform secured by the Bitcoin network, says that blockchain is ushering in a new era—the Internet of Value, with the creation of peer-to-peer networks and systems of records without intermediaries. “It's useful in situations where a high degree of trust is needed, and it's also good at promoting specific desired behaviors,” he said.

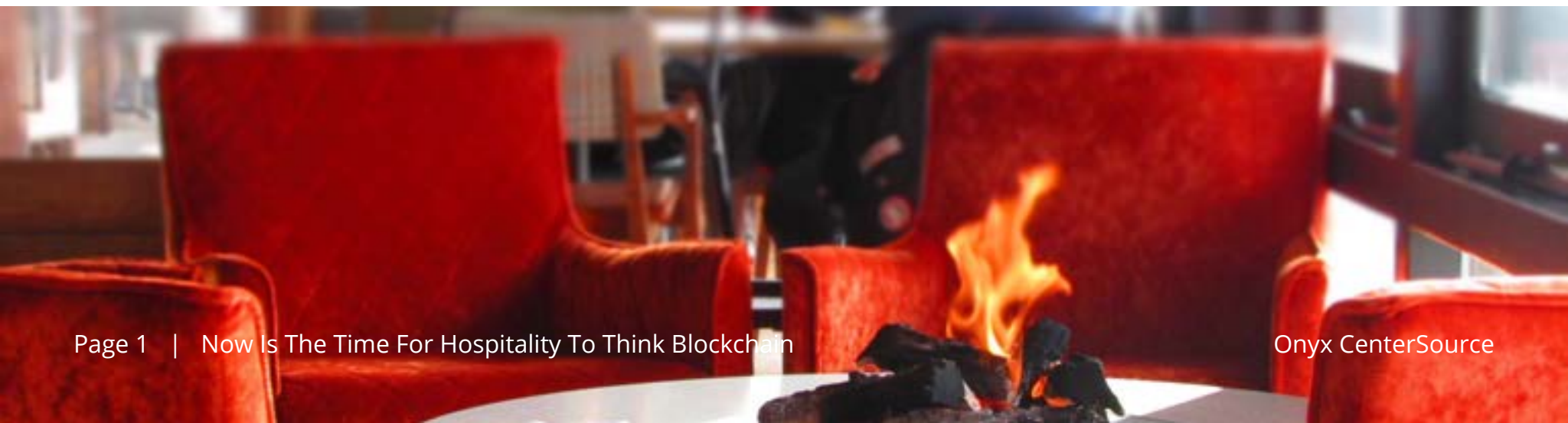
Presenters at Onyx CenterSource's recent FutureSource conference spoke about how blockchain will change hospitality. Blockchain could soon become ubiquitous, but that doesn't mean it will be or should be used for everything. It's resource-intensive and expensive. But it's also very flexible.

A live conference poll showed that blockchain is a hot topic with 67% of the audience considering leveraging blockchain in their organization. While it may be too early to think of large-scale blockchain applications, it's not too early to explore how it could change key elements of the hospitality industry. Some proposed high-value uses include legal agreements and contracts as well as loyalty programs where tokens could be used to offer loyalty member benefits, rewards, and payments.

Smart Contracts are Coming

Blockchain is changing contracts. We're moving from “trust to truth,” said Johnny Thorsen, VP Strategy and Partnerships of Mezi, an AI driven personal travel assistant recently acquired by American Express, during his conference presentation. Smart contracts will be one of the biggest, if not the biggest, changes blockchain will create for hospitality.

Thorsen's definition: “A smart contract consists of a set of rules which are executed on a set of data—no manual input or human decision making is required. Payment



and asset transfer is made instantly when the contract is executed.”

By design, smart contracts have embedded protections for all parties involved. For the hospitality industry, that means improvements to volume and cost transparency.

Smart contracts will solve pain points for all three stakeholders in the hotel booking relationship- hotels, travel bookers and travelers. Travelers will be able to book using any platform they want, payment will be automatic, and the process will lessen tasks associated with expense reporting. Travel bookers will get guaranteed rates, real time reporting, and access to discounts. Hotels will also get real time reporting, distribution savings, and no rate loading.

Here’s how it could work: A traveler books a room, and the smart contract is uploaded to a blockchain. All bookings are processed via smart contract. The smart contract will use rules to calculate the price and process payment. Done.

Smart contracts using blockchain will obviate the need for the multiple—and oftentimes confusing or inaccurate—transactions that begin when a traveler books a room right through to the payment process. In other words, this could be the beginning of the end for cumbersome legacy systems.



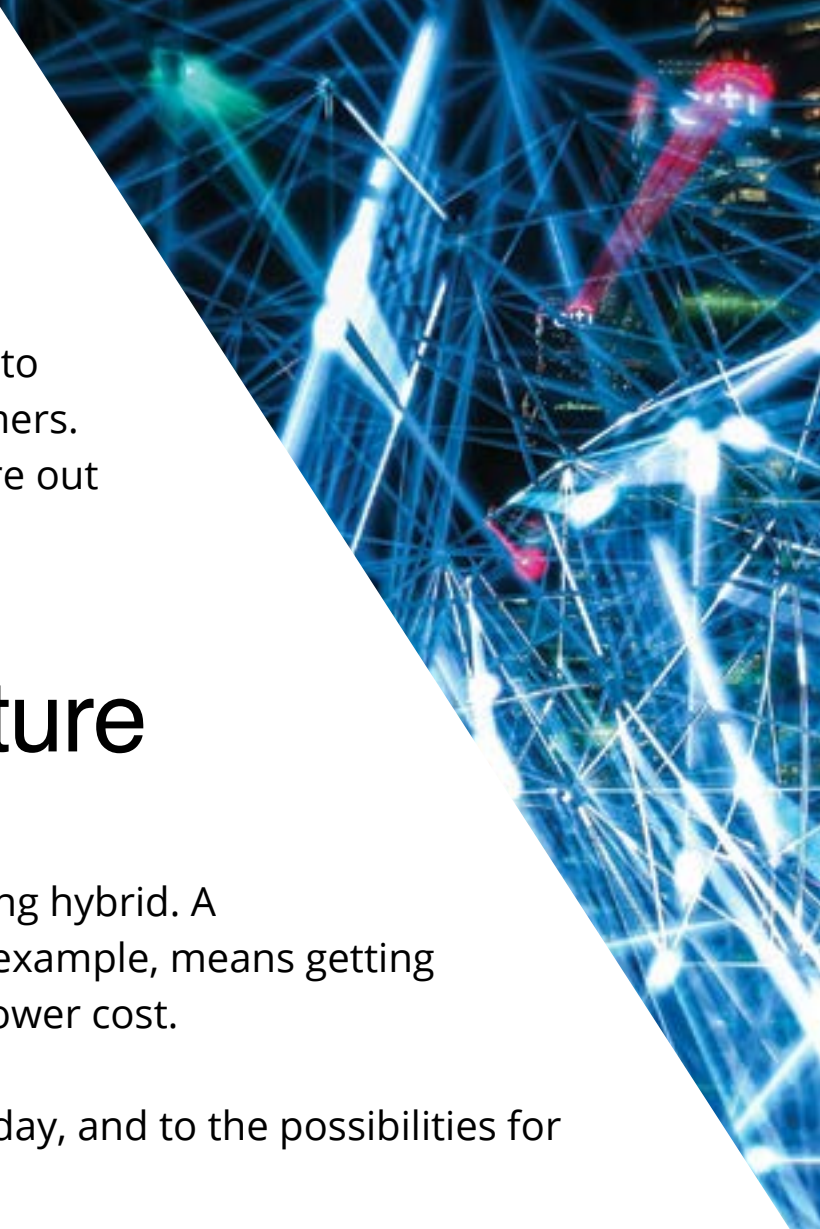
Preparing for Blockchain: Start With These 5 Steps

It’s time to prepare your blockchain strategy. Here are 5 steps recommended by Kurman and speakers at the Onyx FutureSource Conference.

1. Be Realistic

Blockchain will impact every single industry but it will not solve every single problem. Blockchain technology presents many trade-offs so it is very important to figure out where it will make the most sense. Replicated and distributed execution adds transparency and trust but it’s inefficient and expensive so it needs to be designed and used in the correct way for every use case, said Kurman.

Conference speaker Brian Forde is a tech entrepreneur, a former Senior Advisor to the Obama administration, and a Senior Lecturer at the MIT Sloan School of Management. He suggested workshopping to explore potential blockchain applications and [provided a list of articles](#) for those who want to learn more about this technology.



“It’s not that you need to hire a director of bitcoin and blockchain tomorrow. It’s ‘I have these 5 core problems as a company that I’m either trying to solve for ourselves internally or solve for our customers. It might be worth doing a one-day workshop to figure out if blockchain addresses any of those key problems.”

2. Think Hybrid and Future

For the best of both worlds, Kurman suggests thinking hybrid. A combination of blockchain and a private server, for example, means getting the benefits of efficiency, privacy, and security at a lower cost.

Forde told conference attendees to think beyond today, and to the possibilities for new ways of business.

“You need to be thinking about how cryptocurrencies can enable new business models that you were not able to execute before because there was so much friction on transactions...There are new ways and new customers you can tap into now because of cryptocurrencies.”

3. Stay Informed

As blockchain evolves and becomes more widespread, regulations will change and adapt. It’s in your best interest to keep abreast of blockchain developments, and avoid trying to play catch up with every evolution of the technology. Start with learning about the core technology, Pedro Anderson, COO of Winding Tree, a blockchain-based travel distribution network, who suggested [reading the paper that started it all](#).

“The biggest thing I would advise is try to understand bitcoin itself...Right now there’s a lot of hype and a lot of noise. I wouldn’t trust an expert, I would try to understand it myself. When you do, you’ll find out why everyone’s so excited and you’ll understand why the world will never be the same if decentralized blockchain technology is widely adopted.”

4. Test the Waters

Blockchain brings with it a learning curve—and some risk. The best way to get started is with a low-risk application, build a proof of concept, and expand from there.

David Uhler, Director of Research and Development, Slalom Consulting, said it's key to pick the right blockchain project for your organization.

"It probably doesn't mean that you're going to secure every piece of data in every organization tomorrow with blockchain. It does mean that I'm going to pick those targets that we want now, measure how we're going to do it, start those proof of concepts, make sure that people are making good logical decisions based on the technology as it stands today, and constantly evolve the technology as things progress."

5. Take Action

Don't just sit there, do something! The best time to start is when you're still ahead of the curve—and the competition. Just like back in the day when websites were seen as accessories and not necessities, companies who established an early online presence lead the way with digital today, said Kurman.

Forde suggested an experiential learning experiment.

“If I was the CEO of a company, I would give every employee ten dollars in bitcoin or ethereum... and let your employees play with it. The cost to you is incredibly low for the amount of disruption that is humanly possible with this new technology.”

There’s always risk in trying something new, but the biggest risk with blockchain is not to do anything at all. Start learning now so you’ll be ready to execute when blockchain takes over hospitality.

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