1998

Electronic Purses, E-Commerce, and Cash Management in Hospitality Firms

Atul Sheel
University of Massachusetts Amherst

Follow this and additional works at: https://scholarworks.umass.edu/jhfm

Recommended Citation
Available at: https://scholarworks.umass.edu/jhfm/vol6/iss1/1
Electronic Purses, E-Commerce, and Cash Management in Hospitality Firms

The final decade of the twentieth century has witnessed several trial runs of digital-cash-cards, smart-money cards, and electronic purses. In 1995, Mondex successfully tried its electronic purses in Swindon in the United Kingdom—a trial that involved several hotel and restaurant operations (Forte Hotels, De Verre Hotels, McDonald’s Corporation among others). In April 1996, Citibank, Chase Manhattan, MasterCard, and VISA launched a similar test program for electronic purses in Manhattan’s Upper West Side. A similar trial was launched by a consortium of three major American banks (First Union, Nations Bank, and Wachovia) and VISA during the 1996 Summer Olympics in Atlanta. Earlier this year, Mondex launched another similar trial involving the Burger King restaurants in New York City (Time, April 13, 1998, vol. 151, no. 14). Smart cards and electronic purses certainly seem to be a growing phenomenon all over the globe today. Natwest and Midland Bank have purchased a Mondex franchise for the British market. The Hong Kong and Shanghai Bank have also aligned with Mondex for several eastern markets (i.e., Hong Kong, China, India, Indonesia, Macau, Philippines, Singapore, Sri Lanka, Taiwan, and Thailand). The Royal Bank of Canada and the Canada Imperial Bank of Commerce have purchased the franchise for an electronic-cash system in Canada. Danmont (a joint venture between Danish banks and a telephone company) is already well accepted in Denmark. VISA and Transacard have successfully entered the digital cash market in Australia (The Economist, March 30, 1996). To keep up with this trend, major national and international financial institutions have already joined hands with established technology companies and telecommunication firms. Bank consortiums such as the Swiss TELEKURS, the Belgian BANKSYS, and the Dutch INTERPAY have linked with the technology firm CP8 Transac to implement smart-money cards in Switzerland, Belgium, Holland, and other countries. It is expected that electronic cash worth $8.63 billion will be in circulation worldwide by the year 2006 (Financial Times, January 7, 1998).

Does the hospitality industry also need to recognize the seriousness of these changes and begin its preparations for a newer system of electronic cash transactions and e-commerce? From the perspective of a hospitality firm, such a trend of digitized cash transactions would probably imply a newer system of cash management, cash control, cash audits, and electronic security (Cornell HRA Quarterly, vol. 37, no. 6, December 1996). Further, such changes would also have strategic implications for some other aspects of hospitality finance, such as costs and sizes of floats.

No doubt, the trend of transition towards e-commerce and electronic-cash transactions carries an important message for managers in today’s hotel, restaurant, and travel industry firms. How soon would this phenomenon of electronic commerce become a reality? That brings us to the difficult task of forecasting. It is often said that financial experts look at present trends to make forecasts for the future, and then look back into the past to analyze what went wrong with their forecasts. Considering the spirit of this adage, it seems prudent to leave it for the coming century to provide us with the answer.