

Pay-by-phone catching on with smart-phone set

June 3 2010, By Mark Milian

"I don't have any cash on me" may no longer be a valid excuse with new credit card readers that can be used with mobile phones. In a potential boon to street vendors, mom-and-pop shops and even those who lend a few bucks to a friend, several companies have rolled out ways to use cell phones to instantly process credit card payments.

Square, a brainchild of [Twitter](#) Inc. creator Jack Dorsey, enables anyone to accept credit cards using a tiny white attachment and software that can be downloaded to a smart phone.

"The future has arrived," Mayer Hawthorne, a singer and songwriter who used Square to sell his CDs and merchandise while on the road, wrote in a Twitter message to his fans.

The plastic card reader plugs into the headphone jack on an [iPhone](#) or Android-based phone and interfaces with the phone's software before the transaction is processed through Square's secure servers. Apps for the Palm Pre and BlackBerry are said to be in the pipeline.

After swiping the card through the reader, the buyer signs for the transaction by using finger strokes on the touch screen, then can type in an e-mail address where a digital receipt will be sent.

Square charges a fee of 15 cents and 2.75 percent of the transaction amount to the person processing the credit card. That would amount to 42.5 cents for a \$10 purchase.

"People are tickled by signing their names with their fingers," said Sue Moore, co-founder of Let's Be Frank, a hot dog vendor that sets up shop on Glendale Boulevard in Los Angeles every Thursday. The business recently began accepting credit cards for the first time using Square. "It's even easy to use for a numbnut like me."

Much as the way he launched Twitter, the social networking site that has grown to more than 100 million users, Dorsey is giving away the Square device. Anyone can sign up for an account at SquareUp.com, and the company will send the device in the mail.

A version of Square for the [iPad](#) is also available. It enables store owners to input and track inventory and handle cash transactions, replacing pricey point-of-sale cash registers and terminals.

Those features will eventually make their way into the Square's cell phone software, Dorsey said.

Intelligentsia Coffee & Tea Inc. plans to begin using Square-enabled iPads for its mobile coffee carts, said Matt Riddle, the company's technology manager. If that works, Square could replace the chain's cash registers.

"That's one thing we would love to pioneer in the coffee shop realm," Riddle said.

Traditional payment processing firms are also stepping up marketing of phone-powered payments.

VeriFone Systems Inc., the biggest manufacturer of credit card terminals, has introduced PayWare. The card swiper fits around an iPhone or iPod Touch.

Intuit Inc., maker of financial software Quicken and Mint, offers GoPayment. The system is designed for older cell phones and BlackBerry devices, and offers a pair of peripherals for wirelessly swiping cards and a belt buckle that can print paper receipts.

But both VeriFone's and Intuit's systems, which require expensive hardware, may appeal more to mid- to high-volume merchants.

Although the Square gadget is small enough to fit in a pocket, it's not a requirement for taking payments. Users can manually punch in a credit card number, but the transaction fees are higher.

To avoid the credit card tolls entirely, PayPal Mobile has come up with an app that works on iPhone, Android and BlackBerry phones.

With the app pulled up on both phones involved, the amount of the transaction is input on the payer's phone. Money changes hands by physically bumping the two phones together. Both users must be PayPal members with profiles tied to bank accounts, or you get socked with fees that are higher than Square.

For start-ups such as Square, getting consumers to trust them with their banking information can be a challenge.

So Square said it has taken extra measures to protect personal information, including using a sophisticated encryption program.

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