

PayPal hopes to make micropayments easier online

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(AP) -- PayPal wants to make it easier to buy low-cost digital goods online, whether it's a single article on a news website or virtual items in a video game.

Scott Thompson, the online payment service's president, said Thursday that [PayPal](#) plans to roll out a payment product by the end of the year that helps businesses collect "micropayments" on the Web.

Generally, if you want to buy, say, a virtual sword in an online game, you need to first purchase a chunk of credit - perhaps \$5 or \$10 - that you can then spend on a 49-cent virtual sword on a game on [Facebook](#) or other websites. That's because the costs associated with credit card transactions quickly eat away at the profit a merchant would make on

something that costs a few dollars or less.

Thompson thinks consumers want to be able to buy items one at a time, though. And with this in mind, he said PayPal intends to allow purchases in small increments.

PayPal, which is owned by [eBay](#) Inc., plans to make that work by compiling consumers' transactions. Someone might buy \$10 worth of news articles, or goods in an online game, before getting billed by PayPal. PayPal thinks this will appeal more to consumers while benefiting merchants and PayPal, too.

Online micropayments are not new. They emerged in the 1990s but never really caught on, in part because early attempts often had people spend tiny amounts of money - a dime here, a quarter there - instead of the currently popular model where you buy a bunch of credits up front and use them a little at a time.

But consumers are now much more used to the idea of buying virtual goods in online games and downloading content like songs and videos, and this change in behavior could benefit PayPal.

PayPal is already involved in the digital payment space. Last year, \$2 billion of its total \$71 billion in payment volume came from digital goods such as downloads of music, videos and software people bought online. And it seems to be growing: In the first half of this year, the company processed \$1.3 billion in digital goods payments, Thompson said.

The company has gotten its feet wet in the world of micropayments, too, offering merchants a micropayment option that websites can use, charging a fee of 5 percent plus 5 cents for small transactions, which it sees as generally less than \$10 apiece. This way, a \$3 micropayment for

a news article would cost the merchant 20 cents in transaction fees; under PayPal's normal fee schedule for items that cost up to \$3,000, it would cost about 39 cents.

Still, Thompson thinks the upcoming payment product will be better, and hopefully more convenient, too. Right now, if you use PayPal to buy items in an online game such as Zynga's popular FarmVille, you're still prompted to leave the game mid-session to make the actual [payment](#). Thompson wants to change this with PayPal's upcoming offering.

"The whole intent is to keep you in the experience, don't force you to do anything else ... and keep it economical for all parties," he said.

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