

Square lets gizmos read credit cards

October 22 2010, By Jon Swartz

The father of Twitter has hatched a start-up that he hopes does for financial transactions what Twitter did for communication.

Square, the venture from CEO Jack Dorsey, devised a tiny plug-in that turns digital devices into a [credit card](#) reader. Square opens its virtual doors for business Friday.

The Square, a free plastic device slightly smaller than a quarter, plugs into iPhones, iPads, iPod Touches and Androids. With a free downloaded application, it lets small businesses and consumers process credit card transactions. Merchants are charged 2.75 percent of the purchase price, plus 15 cents to swipe a credit card; no contract, set-up fee or monthly charge.

"In America, people do not leave their home without keys, their cell phone and their wallet, but they rarely carry cash. And debit cards can't be used everywhere," Dorsey says.

About 50,000 devices were shipped to small businesses and consumers nationwide -- ranging from coffee shops and pizza deliverers to doctors and piano teachers -- while the service was tested.

Dorsey, 33, who co-founded Square with Jim McKelvey, a local glass artist, expects his company to hit \$1 billion in daily transactions by June 2011.

The year-old company, whose motto is "zero to \$60 in 10 seconds," gets

its name from the expression "all squared" and is backed by venture-capital firm Khosla Ventures and angel investors.

Square's foray is a new wrinkle in an estimated \$120 million mobile-payment market. Several tech companies are taking a mass-market approach to democratizing payments via smartphones -- including [PayPal](#) and GoPayment, an application by software maker Intuit.

But there are plenty of opportunities for start-ups and established companies, analysts say. "The market is so nascent and fragmented, new technologies that pop up in it are expanding the reach of the market," says Morgan Stanley analyst Adam Frisch.

Doug Povich, co-owner of Red Hook Lobster Pound DC, a food truck in Washington, D.C., said a point-of-sales system would have cost him up to \$10,000. Instead, he bought an iPad and loaded it with [Square](#). "It's extremely simple to use."

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