

# Sprint to take lead in cellphone-payment technology

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Will that be cash, credit, debit or, um, phone?

Sprint Nextel Corp. confirmed Tuesday that it expects to leapfrog its competitors with plans to roll out technology this year to let consumers check out at registers with their smartphones.

For the Overland Park, Kan.-based wireless carrier, that capability could be a seductive way to lure new customers eager to use their phones like credit cards. It also creates a new way for Sprint to make money by playing a part in electronic purchases.

Sprint is working with phone makers and payment networks to bring to market what the industry calls "near-field communication." New phones will hit the market later this year with the technology built in.

That technology, called NFC capability, allows consumers to pay for coffee or a cab ride by tapping or waving their cellphones close to an [electronic reader](#). The gadgetry is ubiquitous in tech-savvy Japan and is used for parking meters and transit rides in some European cities, but has yet to deploy in the United States.

Competitors Verizon, AT&T and T-Mobile are working together with banker Barclays on a competing technology called Isis. In that system - which may not emerge for another year or more - the wireless companies would pocket a fraction of each transaction. Customers would pay off the purchases with their monthly cellphone bills.

Sprint was originally a part of that group and broke away. Instead, it looks to draw in extra cash by selling targeted ads and coupons that would show up on customers' phones. And rather than stack the charges onto a customer's monthly cell bill, the charges would be forwarded to a credit or debit card.

"We're going to be using the capabilities that already exist," said Jennifer Walsh, a Sprint spokeswoman.

Still, the idea of phones as credit cards is far from reality. Today, just 150,000 merchants have the devices needed to accept payments from the sort of chips planned for cellphones and already packaged in some credit cards. By comparison, more than 6 million stores can handle [credit card](#) transactions.

And the move to more electronic checkouts sets the stage for a possible turf battle among traditional credit card companies, the cell carriers and merchants.

Under the Sprint model, credit card companies would still play a key role and be able to collect a fee with every transaction. Under the competing Isis plan, there's at least a possibility that merchants and cellphone companies could sidestep Discover, Visa and the rest - possibly by managing accounts consumers would set up directly with merchants.

"The future of mobile payments is still taking shape, and we don't know how it's going to turn out," said Timm Bechter, a Waddell & Reed analyst of both the wireless and financial transaction industries.

First, he said, it's unclear whether consumers will see a dramatic advantage of using their phones rather than their credit cards. Second, the merchants will have to see a payoff as well.

Bechter said some stores will be tempted because the cellphone transactions could be quicker than swiping and signing a credit card receipt, or even its electronic screen equivalent. That could speed service during busy times and make room for more sales. And the phones might dovetail more easily with loyalty programs.

Finally, he said, the merchants will be especially interested if the new technology allows them to avoid the fees they now pay for processing credit card purchases.

"But it's already pretty easy for consumers to use a credit card," he said. "So the merchant might have to give them some incentive to do things another way."

Consumers already have shown some willingness to shop with their phones. A report by Forrester Research shows that 12 percent of American adults have already used their mobile phone to make a purchase without making a call - mostly through using Internet browsers for online buys. Nearly as many have used a cellphone to figure out store hours or to find a nearby store that sells a specific product.

The Forrester report speaks of the broad growth of mobile payments as a near inevitability that will require significant adjustments by merchants, banks and credit card companies. It said "2011 is - finally - the year in which we will significant volumes of NFC devices shipped from the largest handset manufacturers."

Indeed, Sprint will be selling Samsung Nexus S devices this year with the shopping chips embedded. Analysts also expect Research in Motion Ltd. to begin shipping BlackBerry phones with the capability in coming months. And the iPhone 5 expected for the fall is also widely predicted to have a buyer's chip.

Walsh said Sprint will build in security with the devices, likely something akin to the number you use with an ATM or debit card.

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