

# Smartphones as wallets: Using portable device for purchases on the rise, but hurdles remain

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Picture walking up to the Dillard's counter, two shirts in one hand, smartphone in the other. There's no need to reach for your wallet, because all of the credit card information has been stored in your phone. One tap of the phone against a small mobile reader next to the cash register, and you're out the door.

Welcome to the new, more intelligent world of smartphones that can double as wallets.

Just one or two smartphones currently hold the souped-up microchip technology needed to correspond with mobile phone readers that access [credit card](#) and bank information. While consumers now can scan phones across barcode readers to enter concert venues and ballparks, or to board [airplanes](#), the concept of using a phone instead of a credit card is in its nascent stages. Complexity, a lack of available technology, and concern over protecting [financial information](#) are the chief reasons behind the slow growth.

A joint venture established a year ago with Atlanta-based AT&T Mobility, Verizon Wireless, T-Mobile USA and some of the major banks and credit card issuers, is hoping to make the mobile [wallet](#) mainstream. The venture, called Isis, is testing its mobile wallet with a list of local stores in Austin and Salt Lake City and with some nationwide vendors including Coca-Cola Co., Dillard's and Champs

Sports. Isis hasn't said when the mobile wallet will be available in other markets or when the venture will expand its list of national merchants, said Jaymee Johnson, head of marketing.

"The mobile wallet is going to be a heck of a convenience," said Richard Mader, executive director of the Association for Retail Technology Standards, a division of the National Retail Federation.

Eventually, customers who have the Isis Mobile Wallet setup on their mobile phones will be able to pay for things using it instead of a bank card at any store or venue that has a mobile payment system.

"There's a huge opportunity there in terms of making things easier, and we're getting into a completely new line of business that we're very excited about," AT&T Mobility Chief Executive Officer Ralph de la Vega said in a recent interview with The Atlanta Journal-Constitution.

"Just think that you'll be able to pay for anything with that device ... from accessing a vending machine ... to buying any kind of goods and services."

Isis joins Google and PayPal as companies trying to make it easier for consumers to use their smartphones to buy clothes, tickets and other basic items. In short, consumers have to load credit card, debit card and banking information onto their phone. That information is transmitted to a store or venue once the phone is tapped or scanned across a special mobile reader at checkout.

Right now the sector is small: Internet payment companies such as PayPal have developed mobile apps and Google is testing the Google Wallet, just to name a few.

Mobile banking could evolve into a strong source of revenue for AT&T

and other traditional telecom companies looking for more ways to make money from their core services - and make the [smartphone](#) even more useful. The market for mobile payments - which includes everything from using your phone to buy things, make bank transactions or take advantage of loyalty rewards systems - is expected to more than double to \$670 billion by 2015, from \$240 billion a year ago, according to technology research firm Juniper Research. Digitally made payments will make up 40 percent of the market by that point, and North America, China and Western Europe will comprise 75 percent of those transactions, according to Jupiter.

"We're still watching and learning," said Jim Sluzewski, a spokesman for Macy's, which is experimenting with Isis Mobile Wallet and Google Wallet in some stores nationwide.

The slow pace is due to a variety of reasons. Besides the small number of smartphones that are equipped to operate like a wallet, only a slightly larger number of retailers currently are using the corresponding technology in stores. The larger reason, however, is that it's still just simply easier for consumers to reach for their wallet, grab their American Express card and swipe it across a card reader.

"The way that consumers view payments now is not broken," said Mark Beccue, a senior analyst for the technology market research firm, ABI Research. "For it to motivate (consumers), there has to be something else."

Or, people may just not be ready.

"It's too much," said Moira Giles, walking through Perimeter Mall recently with friend Whitney Jones. "What if I were to lose it?"

Analysts say those fears will go away with time. Encrypted information,

third-party data storage, the ability to have a mobile phone company "lock" a phone if it has been stolen are some of the levels of security to keep information protected.

"There's good security there, but I wouldn't attach it to my bank that had a lot of money in it, just one that had \$100 or maybe \$500," telecommunications analyst Jeff Kagan said.

"I'm like everybody else, I want to have proof (that it's safe)) before I dive in."

Analysts say the nation's major wireless companies will be enough to drive mobile phone and chip makers to produce more of the smartphones with technology necessary to make mobile payments work.

The turning point, once the technology is available, will be when retailers and service providers kick up their marketing efforts to let customers know about all of the fancy things their phones can do. Once that happens, the wallet concept will take off, said Michael Becker, North America managing director for the Mobile Marketing Association

"It's not like anything we've ever seen," Becker said.

"It's going to be constantly evolving, so if you wait for the evolution to get started, you're never going to get started."

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