

Groupon launches payments service in US (Update)

September 19 2012, by Barbara Ortutay



This undated image provided by Groupon shows the company's new payment service launched Wednesday, Sept. 19, 2012, that allows businesses to run credit cards using an iPhone or iPod Touch. The announcement sent shares of the Chicago company 7 percent higher in morning trading on Wednesday. (AP Photo/Groupon)

Groupon launched a payment service Wednesday that allows businesses to accept credit cards using an iPhone or iPod Touch, becoming the latest company to enter the growing mobile payments market.

The announcement sent the online deals company's stock up nearly 6 percent. Groupon shares climbed 26 cents to \$4.95 in midday trading.

The Chicago-based company went public in November at a stock price of \$20.

Groupon Payments is aimed mainly at businesses that offer deals through the company, though they can use the system to process any credit card transaction. A test program allows other merchants to use the service, but at higher rates.

Groupon's technology has been tested in the San Francisco Bay Area and will go up against eBay Inc.'s PayPal unit and Twitter co-founder Jack Dorsey's Square. Those services also allow merchants swipe credit cards on their phones using a small card-reader attachment.

The services are aimed mainly at small businesses that, until now, haven't accepted credit card payments because of high transaction fees. In some cases those businesses lacked the technology required to process credit cards. The service takes advantage of the proliferation of smartphones in recent years.



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Each time a merchant swipes a credit card issued by MasterCard, Visa or Discover, Groupon will charge a 1.8 percent fee plus 15 cents for each transaction. American Express cards will be assessed a 3 percent fee plus 15 cents.

In comparison, Square charges 2.75 percent per swipe, or \$275 per month. PayPal charges 2.7 percent. These fledgling services are also up against traditional credit card processors such as Visa or American Express.

Groupon has seen a sharp decline in its stock price since going public late last year. With Groupon Payments, the company is trying to broaden the array of services it offers merchants amid growing worries about "daily deal fatigue" among customers. With competitors such as LivingSocial and Amazon.com Inc. flooding people's inboxes with discounts for spas, manicures, trips and restaurants, it's becoming difficult to stand out.

Groupon says merchants can use its payments service to add tips, taxes and email receipts to their customers. And it plans to process payments overnight, faster than many traditional credit card companies, which can take as long as three days.

"Our goal is to provide powerful and affordable tools to help Groupon merchants run their business," said Mihir Shah, vice president of mobile and merchant products for Groupon.

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