

# Review: Apple Pay in action

October 21 2014, by Anick Jesdanun

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In this photo taken Friday, Oct. 17, 2014, Eddy Cue, Apple Senior Vice President of Internet Software and Services, demonstrates the new Apple Pay mobile payment system at a Whole Foods store in Cupertino, Calif. The new system launches on Monday. (AP Photo/Eric Risberg)

If there ever comes a day I can ditch my wallet and use my phone to pay for everything, I'll look back to my first purchase through Apple Pay: a Big Mac and medium fries for \$5.44. That wallet-free day won't be coming for a while, if ever, but Apple's new payments system brings us much closer.

There were a few unexpected steps setting up Apple Pay on Monday, and the employee at a local McDonald's looked befuddled as I stood there after waving an iPhone 6 over the wireless reader in front of the [cash register](#). The transaction hadn't gone through, so she was waiting for me to pay. I thought I had, but I had pressed the phone's fingerprint ID sensor too hard, getting me out of the transaction instead of authorizing it.

Apple Pay will take getting used to—for consumers and merchants alike. These aren't insurmountable hurdles. The biggest difficulty is general acceptance, and Apple has managed to boost interest in [mobile payments](#) in a way Google and other rivals haven't been able to for years.

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## EASY TO SET UP

Apple Inc. has the advantage of having millions of [credit cards](#) on file for its iTunes and app stores. Getting started was a matter of going to the Passbook app or "Passbook & Apple Pay" in the phone's settings. After choosing the option to add a card, I tapped "Use Card on File with iTunes." I then entered the three-digit security code from the back of my card.

You can have multiple cards on file. You can manually type in the details, but that's boring. Instead, just use the phone's camera to scan the card. I tried it with six different cards, and Apple Pay got the number right each time. In a few cases, it got the expiration date, too.

The scanning doesn't work as well in dark settings. Unfortunately, the phone's flashlight turns off when you try to scan the card with the camera. So wait for good lighting—and know you have to do this just once for each card.

Once scanned, the image is deleted, as is your card number. Instead, for increased security, you get a substitute number that's unique to the device. A hacker who gets that number won't be able to use it without physical possession of your phone.

One warning: It's possible your card won't work with Apple Pay. Not all banks support it, and even if the bank does, it might exclude some types of cards such as corporate or prepaid accounts. But Apple Pay works with most cards from leading U.S. banks. The broad acceptance is one reason many people believe mobile payment is for real this time.

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## USING IT IN STORES

About two dozen retail chains are accepting Apple Pay at launch, and others are planning to do so by the end of the year.



In this photo taken Friday, Oct. 17, 2014, Eddy Cue, Apple Senior Vice President of Internet Software and Services, demonstrates the new Apple Pay mobile payment system at a Whole Foods store in Cupertino, Calif. The new system launches on Monday. (AP Photo/Eric Risberg)

I was able to buy lunch at McDonald's on the third attempt. I tapped on the sensor too hard the first time. The second time, I moved the phone away from the reader as I was still authenticating the transaction. The phone told me to bring it closer.

All I really needed to do was tap on the fingerprint sensor lightly, while leaving the phone near the reader for about a second or two until the phone vibrates. That's not a difficult thing to learn. Once I did it right, I got a notification that the transaction went through. I can see a list of

recent transactions in the Passbook app.

On Monday evening, I paid for dinner at Whole Foods using the phone I already had out for Facebook while waiting in line.

The bigger question is whether I can use Apple Pay with my regular merchants, such as pizzerias, bars or the dry cleaner across the street. As I bought a bottle of Riesling from the corner wine shop, I had to pull out plastic.

The wine was good, nonetheless.

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## USING IT ONLINE

Apple Pay also enables online transactions from within apps, so you don't have to keep typing—and mistyping—your card number. The new iPad Air 2 and iPad Mini 3 will let you do this, but not the in-store transactions, while the new iPhone 6 and 6 Plus let you do both if you upgrade to iOS 8.1.

You first add billing and shipping addresses and contact information by going to "Passbook & Apple Pay" in the device's settings. You can type that in manually or grab information from your contacts app. I was surprised Apple didn't grab all that automatically from iTunes, when it got my card information. Fortunately, this needs to be set up only once.

I experimented with buying \$27 worth of toilet paper through Target's app. At checkout, I tapped the Apple Pay button on the lower right corner and saw the shipping and contact information I had entered. I was then prompted to authorize the transaction with my fingerprint. (I didn't because I already have enough toilet paper.)



In this photo taken Friday, Oct. 17, 2014, Eddy Cue, right, Apple Senior Vice President of Internet Software and Services, demonstrates the new Apple Pay mobile payment system at a Whole Foods store in Cupertino, Calif. The new system launches on Monday. (AP Photo/Eric Risberg)

In a sense, Apple Pay might be even more helpful for in-app purchases than those at retail stores. It's currently not difficult to pull out a plastic credit card, but it is annoying to type in transaction information with the phone's keyboard.

Apple Pay makes it easy to shop online—perhaps too easy.

## Apple Pay Q&A: What you need to know

Apple's mobile payment system, Apple Pay, made its debut Monday. Now you can flash your new iPhone in the checkout line to pay for food,



clothing and other goods. There's no need to pull out your credit card.

But don't leave your wallet or purse behind quite yet: Despite a few dozen retail chains pledging support for Apple Pay, so-called contactless payments are still new. Smaller merchants, in particular, aren't likely to have the necessary equipment right away.

Here's a guide to how Apple Pay works and what to expect:

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Q. What do I need to use Apple Pay?

A. To fully use Apple Pay, you'll need an iPhone 6 or iPhone 6 Plus with iOS 8.1, a free software update released Monday. You'll also get some online-only features with the iPad Air 2 and iPad Mini 3 coming out later this week. Older devices won't work, even with the 8.1 update.

You'll also need a credit card that works with Apple Pay. Major credit card issuers such as American Express, Bank of America, Capital One, Chase, Citibank and Wells Fargo are backing Apple Pay. Apple says more than 500 banks are participating, representing about 83 percent of the card volume in the U.S.

To get started, use the Passbook app or go to "Passbook & Apple Pay" in the settings.

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Q. Is it secure?

A. Although security measures are never foolproof, the Apple Pay system is safer than many current pay methods.

For one thing, a substitute account number is assigned when you set up Apple Pay. Merchants get that instead of your real card number. In addition, a verification code is created for each transaction, based in part on unique keys on the phone. Even if hackers get that substitute number, they wouldn't be able to generate the verification code without having possession of your phone, so fraudulent transactions would be declined.

Other services are starting to use one-time verification codes, too, but not all of them use the substitute account number. By using that substitute, a credit card issuer could cancel the number just for the phone, should you lose it. You wouldn't need to replace the entire card.

Apple says it knows nothing about your transactions, which are handled directly by the credit card processors.

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**Q. Where can I use Apple Pay?**

**A.** Most retail stores that accept contactless payments should be able to use Apple Pay, as well as Google Wallet, Softcard and other services that are based on a wireless-chip technology called near-field communication, or NFC. It's possible that some stores have the hardware in place, but haven't turned on the functionality yet. The debut of Apple Pay is likely to prompt those merchants to do so.

A few dozen chains, including Macy's, McDonald's, Subway and Whole Foods, are expected to accept Apple Pay right away, though some of their stores might not be ready yet. Other retailers expected to do so by the end of the year include Staples, Urban Outfitters and Walt Disney Parks and Resorts.

Apple is distributing logos to merchants that accept Apple Pay, similar to



symbols for Visa and MasterCard, though the lack of a logo doesn't necessarily mean Apple Pay isn't accepted.

In addition, you can use Apple Pay to make online purchases within apps, without having to enter card numbers, billing addresses and other information. It's up to merchants to enable this with app updates.

Groupon, OpenTable, Staples and Target are among the initial ones to do so. You'll see a button for "Apple Pay" or "Buy with Apple Pay." The new iPads will be able to make in-app payments, but they lack NFC chips for in-store payments.

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Q. What about smaller merchants?

A. Dry cleaners, local restaurants and other smaller businesses are less likely to have the equipment ready. All told, there are more than 200,000 payment terminals in the U.S. capable of making "contactless" transactions, but that's out of several million.

Starting late next year, merchants will be liable for fraudulent transactions if they don't have equipment with an enhanced security system called EMV. Because merchants have to upgrade equipment to EMV anyway, they can get the NFC capability for not much more.



In this photo taken Friday, Oct. 17, 2014, a cash register terminal promotes usage of the new Apple Pay mobile payment system at a Whole Foods store in Cupertino, Calif. The new system launches on Monday. (AP Photo/Eric Risberg)

But many equipment makers hesitated because demand for NFC hasn't been clear. Soon after Apple announced support, iPad-based retail payment system ShopKeep decided to start including NFC and plans to distribute new equipment to its 10,000 merchants over the next year. Other equipment makers are expected to do the same.

Even though relatively few small merchants can now accept NFC payments such as Apple Pay, that's bound to change in a year when the EMV deadline comes.

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Q. Do I have to pay to use it?

A. Apple hasn't said much about how it plans to make money from Apple Pay transactions, but it's safe to say that credit card companies would be the ones covering any fees. Card companies might factor in those costs in the regular fees that consumers and merchants pay. However, those companies might be able to use savings from fraud reduction to cover any Apple Pay costs.

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Q. How does this differ from other contactless systems?

A. Most noticeable will be the use of the fingerprint ID sensor to authorize transactions. Right now, it's easy to pull out a plastic credit card, so any mobile-payment system will have to be just as easy. That can't be said when you have to spend time typing in a passcode at the checkout line. The fingerprint ID lets you bypass that with one tap.

## **A list of merchants taking Apple Pay**

More than 200,000 payment locations in the U.S. are equipped to accept so-called contactless payments, including Apple Pay. Smaller merchants tend to be among the several millions that don't have the required equipment yet.

Apple said it has worked with several retailers to make sure most of their stores, if not all of them, were ready at Monday's launch: Aeropostale, American Eagle Outfitters, Babies R Us, BJ's Wholesale Club, Bloomingdale's, Champs Sports, Chevron and Texaco retail stores including ExtraMile, Disney Store, Duane Reade, Footaction, Foot Locker, House of Hoops by Foot Locker, Kids Foot Locker, Lady Foot Locker, Macy's, McDonald's, Nike, Office Depot, Panera Bread, Petco, RadioShack, RUN by Foot Locker, SIX:02, Sports Authority, Subway, Toys R Us, Unleashed by Petco, Walgreens, Wegmans and Whole Foods

Market.



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Apple also said that the following merchants plan to add support by the end of the year: Anthropologie, Free People, Sephora, Staples, Urban Outfitters and Walt Disney Parks and Resorts.

For online payments, Apple said the following merchants have apps ready for Apple Pay: Chairish, Fancy, Groupon, HotelTonight, Houzz, Instacart, Lyft, OpenTable, Panera Bread, Spring, Staples, Target and Uber.

Others expected by year's end include: Airbnb, Disney Store, Eventbrite, JackThreads, Levi's Stadium by VenueNext, Sephora, Starbucks, StubHub, Ticketmaster and Tickets.com.

Of course, Apple's retail stores and the Apple Store app will also take Apple Pay.

Apple Pay launched in the U.S. on Monday and requires an iPhone 6 and 6 Plus with iOS 8.1 for in-store and in-app payments. The iPad Air 2 and the iPad Mini 3 out later this week will be able to make in-app payments only.

**More information:** Apple's instructions:  
[support.apple.com/kb/HT6361](https://support.apple.com/kb/HT6361)

Supported banks and cards: [support.apple.com/kb/HT6288](https://support.apple.com/kb/HT6288)

Security and privacy: [support.apple.com/kb/HT6323](https://support.apple.com/kb/HT6323)

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