

Will Apple Pay be mobile pay's kick-start?

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If anyone can get us to use our smartphones as wallets, it's Apple. That's what experts think about the recent launch of Apple Pay, the first mobile wallet to work on an iPhone.

Two previous attempts - by Google and a [partnership](#) of AT&T, Verizon and T-Mobile called Soft Card - haven't pushed consumers to pay for things with their Android phones. Now it's Apple's turn.

Apple Pay is in line with the Apple playbook, said Jennifer Kent, director of research at Dallas-based Parks Associates. "Let others test it and let it mature a bit, then get the right partners and launch it with big marketing behind it."

On the second day that Apple Pay was available, customers with the just-released iPhone 6 were using it to pay at Whole Foods Market in Dallas.

"I used Google Wallet a few months. It was easy, but there weren't enough places to use it," said Eduardo Espinoza, 24, of Dallas, who used Apple Pay for the first time on Tuesday to buy his takeout lunch at Whole Foods.

"Apple is just better at making things mainstream," Espinoza said. "I'll be using it here every day. It was easy. I didn't have to take out my wallet."

Banks love Apple Pay, too, and are actively marketing it because it uses their Visa, Mastercard and American Express cards, which are often

already in customers' Apple iTunes accounts.

MCX ON THE HORIZON

Much of the retail industry is on the sidelines, quietly hoping that Apple will succeed in getting us acclimated to mobile paying.

Target is not accepting Apple Pay in its stores but has allowed it on its mobile shopping app for online purchases. The world's biggest retailer, Wal-Mart, is noticeably absent. And Home Depot spokeswoman Paula Drake said, "It's still too early to determine what, if anything, we will do with Apple Pay."

Another mobile pay system is in the works from a company formed two years ago by more than 50 major retailers including Wal-Mart, Target, 7-Eleven, Gap, Lowe's and Kohl's. Called Merchant Customer Exchange, or MCX, the group has developed an app called CurrentC that doesn't require extra hardware at the checkout.

Last month, MCX revealed its brand name and said CurrentC is in a private test. The company, which has offices in Boston and Dallas, declined an interview request or to allow CurrentC to be photographed in action.

MCX did say on its website in September that it plans to launch next year and has in its system 110,000 stores that represent \$1 billion a year in sales, or more than 20 percent of all U.S. annual retail sales.

That dwarfs the number of stores in Apple Pay's universe, which included about a dozen companies at launch. The biggest on the list are McDonald's, Macy's, Staples, Walgreens and Whole Foods.

But maybe not for long, analysts said.

INVESTING IN EQUIPMENT

Retailers have waited to see clear demand from consumers before investing in equipment to facilitate mobile payments, Kent said.

"That's been a barrier, but we've busted through it finally with the mass consumer adoption of smartphones," Kent said.

So far, Apple Pay and other systems require checkouts to be equipped with NFC, or near-field communication.

The price per terminal for NFC capability is about \$100 to \$150 for both hardware and software, said Debbie Simurda, director of business development at Mainstreet Inc., a firm that specializes in customizing checkout systems for retailers.

Simurda expects most payment terminals to add NFC.

"Before it likely was an option, but with Apple Pay it may almost be considered a standard feature," she said.

Retailers are upgrading their systems anyway as big credit card breaches continue to be discovered. Stores have until October 2015 and gas stations have until 2017 to install new systems that can read more secure EMV chips on cards. EMV, short for Europay-Mastercard-Visa, is considered more secure because it's harder to copy account numbers and security codes from chips than from the magnetic strips on most cards used in the U.S.

Even though MCX retailers so far aren't accepting Apple Pay, Simurda believes that's unlikely to hold true for long because CurrentC isn't due out until next year and mobile payments are expected to grow rapidly now.

About 3 percent of retail sales are mobile, and Starbucks, a brand with loyal daily customers, has had the most successful application so far, Kent said.

'THE HOLY GRAIL'

"CurrentC has the holy grail. It's ubiquitous. I'll be able to pay with it all the time," Kent said. "I like the MCX strategy. It can be very successful, but it needs to get to market soon."

Even Google Wallet, which was too early to market, has an opportunity to benefit from Apple Pay now, analysts said. It runs on Android phones and also requires NFC.

MCX is software-based and requires only a checkout scanner to work. Its CurrentC app will also be the only one that works on both iPhones and Android phones, MCX said.

So far, Apple Pay is attracting those first responders and younger, more affluent shoppers.

Southern Methodist University student Abdul Alassaf, 20, and his brother Bader Alassaf, 18, bought their iPhones on the first day they were available last month. They were at Whole Foods on Tuesday to be among the first to use Apple Pay.

"We couldn't wait to try it out," Abdul said. They spent \$79 on paper plates, bottled water and a few other things for a dinner party.

Their critique: "It was so easy."

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