

Apple Pay rival defends service, exclusivity (Update)

October 29 2014, by Mae Anderson



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. A consortium of retailers called Merchant Customer Exchange plans to offer a rival mobile payment system next year which could direct debit customers' checking accounts, instead of using a credit card. (AP Photo/Eric Risberg, File)

A mobile payment service backed by Wal-Mart, Best Buy and other leading retailers is defending its practice of prohibiting its members

from accepting alternatives such as Apple Pay.

In a conference call with reporters, Merchant Customer Exchange shopped short of giving a reason for requiring exclusivity. But officials say retailers may choose to leave without penalty, so they could accept those alternatives, which are based on a wireless technology called near-field communication, or NFC.

The rivalry is heating up as more Americans choose to shop and spend time on their mobile devices.

"Merchants make their own choices about their commitment to MCX and make their own choices about other forms of payment," said Dekkers Davidson, the group's CEO.

However, an MCX blog post earlier said that when merchants choose MCX, "they choose to do so exclusively."

MCX is testing its CurrentC system and plans to launch it in 2015.

The service has garnered criticism as some of the group's biggest members, including CVS, 7-Eleven, Best Buy and Wal-Mart, are refusing NFC payments even though their stores have the equipment.

MCX was also the target of a hack. In Wednesday's call, MCX said a small number of email addresses were obtained in a breach, but no other identifying information or any financial information was obtained. The CurrentC app itself was not affected, and the organization has contacted everyone whose email address was affected.

When Apple Pay launched on Oct. 20, retailer resistance had been expected because Apple hasn't offered incentives to install new point-of-sale terminals and train staff on its new mobile payment system. But this

week it became clear that many large retailers declined to accept Apple Pay because they were part of MCX, which requires exclusivity.

On Monday, Apple CEO Tim Cook said Apple Pay had over 1 million activations in the first three days after it became available and is now more widely used than any competing payment system. He called the dispute with retailers a "skirmish."

Davidson said it was "entirely possible" that in the future merchants can accept both MCX and the other forms of mobile payments, although did not give a timeline for when that might occur.

CurrentC lets users pay through a checking account, a store-brand card or a gift card, in addition to regular credit and debit cards. In that sense, it is different than Apple Pay, which lets users pay only through credit and debit cards. Merchants save transaction fees when customers use something other than a credit or debit card.

Davidson said MCX was in talks with other "substantial financial institutions" and said "over time we expect all cards will be welcome at CurrentC."

Officials said that MCX, which uses barcode technology, also might expand to include NFC, which Apple Pay uses, if it deems that necessary in the future.

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