

Target quietly testing mobile payment app to rival Apple Pay

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At a time when the future of mobile payments is still up for grabs, Best Buy and Target have aligned themselves with a competitor to Apple Pay.

But the Minnesota companies, two of the nation's largest retailers, are also watching to see how Apple's recently launched mobile payment system catches on with consumers.

Target last month became one of the first retailers to begin quietly testing a technology known as CurrentC, created by a group of retailers called the Merchant Customer Exchange.

Eddie Baeb, a spokesman for the Minneapolis-based retailer, confirmed that a group of Target's headquarters employees has been trying out the CurrentC app in a couple of dozen Target stores.

"Right now, it's in a very early test phase," he added, noting that there has been no date set to roll it out to the public.

The stated aim of Merchant Customer Exchange has been to find a simple and secure way for customers to easily make purchases in stores with their smartphones since other mobile wallets had not yet taken off.

But the [mobile payment](#) network found itself in the hot seat last week when it was revealed that the exchange apparently required its members to not accept other forms of mobile payments such as Apple Pay. It didn't help matters that its system was hacked last week and that email

addresses of those in the pilot program were compromised, raising questions about its security.

Target was one of the first members of the Merchant Customer Exchange when it was formed in 2011. Best Buy joined it a year later.

In September, the exchange announced that it had developed CurrentC, which was being tested privately, and planned to launch it nationwide next year. Though Target acknowledged its testing, the exchange has not publicly disclosed which retailers are experimenting with the system. The group did not respond to a request for comment.

Last month, Apple launched Apple Pay, which can be used at a couple of dozen major retailers such as Macy's and McDonald's. It started off with a bang, boasting more than 1 million activations within the first few days of its launch.

On Monday, U.S. Bank said users of its credit and debit cards could add them to Apple Pay and use new iPhones to pay for things directly from their accounts at the bank.

But last week, Rite Aid and CVS turned off the ability of customers to use Apple Pay in its stores, ostensibly because they belong to Merchant Customer Exchange, raising questions about its exclusivity agreements.

"When merchants choose to work with MCX, they choose to do so exclusively and we're proud of the long list of merchants who have partnered with us," the exchange said last week on its website where it lists about 60 retailers who are members.

It added that, contrary to some media reports, it does not charge members fines if they decide to stop working with MCX.

Target is actually straddling both technologies. While it is a member of the merchant group, it allows consumers to use Apple Pay for purchases made on the Target mobile app. It isn't exactly clear why that doesn't violate MCX's exclusivity requirement. But Target has said it can't accept Apple Pay in stores because its registers don't have the so-called "near field communication," or NFC, technology through which the iPhone talks to them.

Baeb, who declined to discuss the retailer's agreement with Merchant Exchange, said the retailer is focused right now on adding chip-and-pin technology to its checkout lanes to provide the way for more secure [credit card payments](#) in the wake of Target's huge data breach last year. He added that Target is "extremely enthusiastic" about Apple Pay through its mobile app.

Meanwhile, Best Buy doesn't have any plans to use Apple Pay in its stores anytime soon. Many of its stores do have NFC technology, but the retailer turned off that capability in 2011 because it was so expensive, spokesman Jeff Shelman said.

While Best Buy is a member of the Merchant Exchange, Shelman said that it has not ruled out using Apple Pay in the future.

"While we don't accept Apple Pay, we continue to evaluate it along with other platforms," he said.

Much attention has been focused on the fact that CurrentC appears to be aimed at avoiding the 2 to 3 percent in [credit card](#) fees merchants pay on every transaction by tapping customers' checking accounts instead. But the Merchant Exchange recently said it plans to add credit cards to its network. It also highlights that CurrentC can be used on any smartphone - not just iPhones - and can integrate coupons and loyalty points into the transaction.

But many in the tech press have lambasted CurrentC for being clunkier than Apple Pay, which just requires the customer to wave the phone near a register and use a fingerprint. CurrentC, by comparison, requires the user to open the app and scan a QR code.

Matt Schulz, senior industry analyst for CreditCards.com, said the battle over digital wallet technology is unlikely to settle on a single technology.

"I don't know if it's a VHS versus beta sort of thing where there can only be one winner ultimately," he said, then added: "If you're looking for consumers to adopt something new, the better the user experience, the more likely you are to gain acceptance."

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