

Mobile-payment services draw more shoppers and merchants

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The pay-by-phone crowd is growing at the checkout counter. More consumers are using their smartphones to pay for goods and services, and more companies are offering "mobile-payments" or "mobile-wallet" services.

In addition to Apple Inc.'s Apple Pay, which launched in October 2014, the field includes Android Pay from Alphabet Inc.'s Google and Samsung Pay from Samsung Electronics Co. There's also CurrentC, a system being developed by a group of major retailers and restaurants.

Wal-Mart Stores Inc. last month outlined plans for its own service for shoppers to pay in its stores with any major credit card or its own gift card using the giant retailer's existing smartphone app. Target Corp. reportedly also is developing its own mobile-payments system.

Although the nascent mobile-payments industry is picking up steam, its availability remains limited and the notion of paying by smartphone continues to draw a cautious response from American consumers so far, analysts said.

"When you ask consumers about mobile payments, they pretty much tell you they're not interested - not everyone, but the majority of buyers," said Penny Gillespie, a research director at Gartner Inc., a technology research firm.

"They feel the payment devices they have today work fine," she said in

reference to cash, checks, debit cards and [credit cards](#).

Apple Pay works with the iPhone 6 and iPhone 6s phones and their "plus" versions, while Samsung Pay and Android Pay likewise are available only on certain Android phones. CurrentC, in a pilot test in Columbus, Ohio, would work with Apple and Android phones.

Apple has said it's pleased with Apple Pay's start. Chief Executive Tim Cook boasted of "seeing double-digit growth in transactions month after month" (without giving any supporting data) during a quarterly earnings call with analysts in October.

Pali Bhat, director of product management at Android Pay, wrote in a blog last month that "the response from customers and merchants has been tremendous" for Android Pay.

But the picture is muddled when it comes to figuring out how many people are using mobile payments. Apple, Google and the others don't break out exact numbers on usage, and surveys by outside research firms show mixed results.

For instance, the Auriemma Consulting Group last summer said 42 percent of U.S. consumers with capable iPhones said they had used Apple Pay at some point.

But the research firm InfoScout said that during 2015's Black Friday shopping blowout, only 2.7 percent of those with eligible Apple Phones used Apple Pay where it was available.

Another research firm, EMarketer Inc., has estimated that 9.6 percent of all U.S. mobile-phone users, or 23.2 million consumers, made mobile-payments transactions last year.

This year, that figure should rise to 37.5 million consumers, or 15.3 percent of mobile-phone users, and keep climbing to 69.8 million (27.3 percent) in 2019, the firm projected.

In other words, four years from now less than one-third of smartphone users would be using the devices to pay at the checkout counter, if the forecasts prove correct.

That still represents an enormous chunk of consumer spending.

This year alone, the total value of mobile-payments transactions should more than triple, to \$27.1 billion from \$8.7 billion last year, and could reach \$210.5 billion in 2019, EMarketer estimated.

"But think about the volume of credit-card transactions in the U.S. each year, which is in the trillions of dollars," said EMarketer analyst Bryan Yeager. Mobile payments are "a drop in the bucket."

Using smartphones to pay is fairly simple. For the uninitiated, there are a variety of clips on YouTube and elsewhere demonstrating how the process works at stores and restaurants.

Consumers enter their credit-card information in their phones before shopping.

With Apple Pay and Android Pay, for instance, the consumer then holds the phone over a payment terminal and taps a button on the phone or enters a PIN number. The credit card is charged, and the sale is completed.

But ease of use doesn't necessarily translate into widespread acceptance, especially when matched against consumers' long habit of using credit and debit cards.

"There is this big question of why should somebody use one of these (mobile-payments) technologies versus pulling out their credit card," Yeager said.

"Ingrained consumer behavior - this muscle memory of swiping a credit card at the checkout counter - is not going to change overnight."

Security also is a big issue in mobile payments.

"It's still on the minds of people that I'm putting my sensitive financial credentials on my phone, and if I lose my phone, what happens to it?" Yeager said.

Apple, Google and the others maintain that their security features are stronger than with credit cards, and that if a phone is lost or stolen, there are ways to quickly disable its mobile-payments feature.

They also assert that a consumer's credit-card information is encrypted, not shared with merchants, and it does not remain stored on the phone.

In any case, the availability of mobile payments will only grow. Future smartphones are expected to come with mobile-payment technology as standard equipment over the next few years, so it mainly becomes a question of how many consumers and merchants will choose to use it.

Apple Pay says it's now accepted at more than 1.5 million U.S. locations, including Best Buy, Whole Foods and Macy's. That figure has surged from 220,000 when Apple Pay was launched. Apple Pay also plans to be available at all of Starbucks Corp.'s U.S. locations this year.

Android Pay says it's accepted at more than 1 million locations, including McDonald's and Staples, among others.

More merchants are likely to acquire mobile-payments technology because they're already in the process of switching their hardware to read embedded chips on credit cards instead of using the conventional card-swiping format. Most of the new hardware for chip-reading also includes mobile-payments features.

Consumers already are having to adjust to inserting their credit cards into a chip reader, rather than swiping the card, "so we're curious to see if this gives more impetus to consumers to make another behavior change" by using mobile payments, Gartner's Gillespie said.

Like so many technologies, the mobile-payments industry will start to show significant growth after consumers' smartphones and merchants' payment terminals become more standardized and available, said Thad Peterson, senior analyst at Aite Group, a consulting firm.

"We're only in the first generation of devices," he said. "We have to wait another good year or two. By 2020, I see a very rapid adoption and usage curve in terms of [mobile payments](#)."

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Multiplying payment options

New mobile payment systems are competing for [consumers'](#) in-store purchases:

Apple Pay

Debut: October 2014

Works on: iPhone 6 or 6s, Apple Watch

Locations accepted: more than 1 million

Samsung Pay

Debut: August 2015

Works on: Samsung Galaxy S6, S6 Edge, S6 Edge Plus, Note 5, Gear S2 smartwatch

Locations accepted: designed to work with existing credit card readers at most retailers, about 30 million worldwide

Android Pay

Debut: August 2015

Works on: Android phones

Locations: more than 1 million U.S. stores

CurrentC

(Merchant Customer Exchange)

Opened to public: August 2015

Works on: iPhones and Android phones with CurrentC app

Locations accepted: now being tested by 12 retailers in Columbus, Ohio

-Source: Los Angeles Times research

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