

# Netclearance seeks foothold in mobile payments

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Does a small San Diego startup stand a chance in the mobile payment market competing against the likes of Apple Pay and Samsung Pay?

Netclearance Chief Executive David Fernandez thinks so, based on his company's success last year in Scandinavia, where Netclearance partnered with Danske Bank to get its mobile payment technology deployed in 30,000 retailers ranging from grocery stores to Starbucks.

"The merchants love it because they get over a 50 percent reduction in transaction fees, and they get their money in milliseconds," said Fernandez, who formerly worked at Qualcomm and Motorola Mobility. "It's a game changer."

That remains to be seen. Mobile payments have been slow to take hold, particularly in the U.S., because most payment machines here lack the wireless capabilities to link cash registers to smartphones.

In addition, current magnetic strip technology works. So consumers in general haven't been clamoring to pay with mobile devices.

"The track record for mobile payment services is not good. Apple Pay and Android Pay have yet to become major forces in the financial world, with only a small percentage of iOS and Android users adopting them," said industry research firm CCS Insight in a recent report.

Apple Pay and Samsung Pay use Near Field Communications technology

and security tokenization to let shoppers tap smartphones on payment terminals to charge registered credit or debit cards.

Dozens of mobile wallet apps, including a popular one from Starbucks, do essentially the same thing but use a scannable code instead of NFC.

What makes Netclearance different is it removes the credit card firms from the equation - enabling banks and retailers to set up their own private, direct mobile payment networks.

"It allows a person with an app - a bank app, a brand app - to completely bypass the credit card rails," said Fernandez. "So the payments that people are making in Denmark - over 2.8 million active users with an app provided by the bank - those payments are not going through a MasterCard or a Visa. They are basically going directly to the bank."

The company's technology includes a small payment terminal with NFC, Bluetooth LE and Wi-Fi technology that connects to the cash register. Netclearance provides software tools for banks and retailers to include [mobile payments](#) as part of their branded apps for customers.

"Because of the way the system works, we don't store [credit card](#) information or account information," said Fernandez. "It's a piece of software that we put on the cash register, and it's a piece of software that is in the mobile app. Then you marry it through the cloud."

Founded in 2011, Netclearance has only a handful of employees and has raised about \$400,000 from angel investors. Fernandez said its technology is compatible with 200 cash registers to date. Through Danske Bank, the company expects to further expand into Norway and Finland this year. It also has a pilot project a bank in Mexico involving payments at vending machines.

U.S. retailers, including Target and Walmart, are members of the Merchant Customer Exchange, a consortium that's developing a merchant-owned mobile payment system.

For its part, Netclearance is talking with a large financial institution about rolling out its system in the U.S. But it hasn't inked a deal yet.

"Our main customers are the banks," said Fernandez. "Because it's app based, it gives the banks more control on the benefits they can give to their users. It is really an intelligent payment system."

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