

PayPal lets shops take payments on smartphones (Update)

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A Samsung phone (R) and an iPhone 4. Online financial transactions titan PayPal on Thursday began letting merchants worldwide take payments using smartphones in a direct challenge to startup Square.

Online financial transactions titan PayPal has started to allow merchants across the world to take payments using smartphones in a direct challenge to startup Square.

The PayPal Here system uses a triangle-shaped "dongle" card reader that plugs into mobile devices to let people make purchases.

PayPal Here software also lets shopkeepers take payments by snapping a picture of a card with a smartphone instead of having to swipe it in the dongle.

"No business will ever have to say they can't accept a form of payment," PayPal mobile vice president David Marcus said while unveiling the new service at a press event at San Francisco's famed Ghirardelli Square on Thursday.

The service from eBay-owned PayPal is a spin on one offered by startup Square, a brainchild of Twitter co-founder Jack Dorsey.

Square has been a hit with independent

entrepreneurs and small businesses as wide ranging as masseuses and taxi drivers to farmers and bicycle shops.

PayPal, which also announced a major push into Asian markets, plans to capitalize on its dominant position as a global service for online purchases.

"We are going to aggressively push this out to our 100 million PayPal users around the world," Marcus said. "We can accept any form of payment, short of barter."



Senior Vice President of Asia Pacific for Paypal, Rupert Keeley, poses for a picture with Paypal's triangle-shaped smartphone payment dongle in Hong Kong, on March 16. Online financial transactions titan PayPal has started to allow merchants across the world to take payments using smartphones in a direct challenge to startup Square.

PayPal Here thumb-sized plug-ins and accompanying software for smartphones are free. Here was being rolled out for Apple's popular iPhones with a promise that a version for Android-powered smartphones would be available soon.

PayPal will charge merchants a flat fee amounting to 2.7 percent of each transaction.

The California-based company enticed merchants

to funnel money from sales into PayPal business debit cards that give one-percent cash-back rewards for purchases, ostensibly cutting transaction fees to 1.7 percent.

PayPal Here smartphone software for customers comes with social and shopping features including finding nearby participating merchants and automatically alerting shopkeepers to their presence in stores.

"We want every PayPal user to feel like a VIP when they walk into a coffee shop," Marcus said.

Payment card data scanned into Here devices is encrypted for protection.

Dorsey's Square, based in San Francisco, has been lauded as disruptive new technology since the application and accompanying dongle, the shape of which gave the startup its name, was released in the United States in 2010.

Square charges a 2.75 percent fee, on par or lower than merchants would be charged per transaction if they went directly through credit card companies, but has the advantage of no set up costs.

By the end of last year, Square, which has plans to expand outside the United States, was used by 750,000 merchants and was handling \$2 billion in transactions annually, according to chief operating officer Keith Rabois.

PayPal's Asia-Pacific chief Rupert Keeley, however, said Friday that it planned to expand there over the next 12 to 18 months.



Australia and Hong Kong are the first countries in the region to have the PayPal Here system but Keeley said it would soon be available in other markets including mainland China, where the licensing process was under way.

"We're delighted to be the first in Asia Pacific to offer this innovative mobile solution," he said, noting that Asia had a \$1.3 trillion small-medium business retail market combined with rapid uptake of smart phones.

The online financial transactions company's Asia Pacific headquarters is in Singapore but it serves many of its customers in the vast region remotely through a network of six sales offices, he said.

Keeley said PayPal was "looking to expand our footprint in Asia" with the opening of new offices in several countries, including India.

Square, and now PayPal Here, eliminate the need for traditional commercial payment technology such as receipt printers and desktop credit card machines.

"The intersection of technology and traditional retail is having a bigger impact on shopping than at any point in history," eBay chief executive John Donahoe said at the Here unveiling.

"There will be a lot of change in the coming weeks and months in how consumers shop and pay."

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