Google launches trial of tap-to-pay phone system

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Google Inc. launched its bid to dominate a world where the smartphone has replaced the wallet as the container for credit cards, coupons and receipts.

It's a vision shared by others. The Internet search and advertising company faces tough competition from cellphone companies and Visa, which all want to play a central role in tying together phones, retailers and banks into a new payment system.

Google said Thursday that it's launching a trial of its payment system in San Francisco and New York in cooperation with MasterCard and Citibank. It is opening it up to consumers in the summer. It then plans to expand across the country.

There has been talk of smart payment systems for years. Google faces the same hurdles that have stifled previous trials. The new Google Wallet will initially work on only one smartphone, the Google Nexus S 4G carried by Sprint Nextel Corp. It will connect only to MasterCard PayPass terminals. There are more than 135,000 of those in U.S. stores and restaurants, but that's only a small fraction of the total number.

Google calls it a "single-tap" solution, meaning shoppers should be able to pay with a single tap of their phone on a payment terminal, or a swipe past it. But in a demonstration at Thursday's New York event, a Google executive had to tap twice, then sign on the screen of the terminal provided by retail partner American Eagle Outfitters Inc. to get a purchase through.

Osama Bedier, Google's vice president of payments, said it was up to the retailer to decide if the shopper has to sign on the screen. The mobile payments system is more secure than credit and debit cards with magnetic stripes, but Google apparently faces a challenge in convincing retailers and perhaps also consumers of that.

The Wallet will initially work with a MasterCard from Citigroup Inc. and with a prepaid debit card issued by Google.

Partner Sprint is the third-largest U.S. cellphone company. The other three of the four national carriers have formed their own consortium, called ISIS, to create a wallet that will compete with Google's. Visa Inc. has also announced plans for its own wallet.

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