

Mobile wallet roll out starts with small change

Virtual wallet technology that lets people pay for a coffee, newspaper or sandwich by swiping a cell phone at a checkout is finally set to start rolling out, executives told the Reuters Technology Summit this week in Paris.

Retailers, fast-food chains, advertisers and banks are preparing for a sea change in electronic commerce as more smartphones capable of making financial transactions are released. Many say it will change the way they do business.

Near-field-communication (NFC), the technology most likely to be used in the West, is a wireless way to swap data at short range, which means NFC-enabled smartphones can pay for goods, store electronic tickets, collect coupons or swap photos.

"2011 is likely the year when NFC could be on its way to become a mainstream technology in U.S. and Western Europe," said Andrew Gardiner, an analyst at Barclays Capital.

Richard Clemmer, chief executive of top NFC chipmaker NXP, said Google has given a great boost to adoption by including NFC capability in its Android software, which is used by smartphone makers the world over.

"We co-invented the NFC technology eight or nine years ago with Sony. We tried to push it but frankly we just didn't have the influence," he told the summit.

"What we did by aligning with Google allowed us really to have a much larger impact. We'd been working with credit card companies, and it kept being on the roadmap four quarters out."

On Friday, Orange and Barclaycard launched Britain's first mobile payments service, allowing certain customers to make small payments in branches of fast-food chains including McDonald's and Subway.

In other countries, notably Japan and South Korea, NFC technology is already well established.

"I was blown away in Japan by NFC payments in action and with the ease and convenience of payments," Timo Soininen, chief executive of Finnish Web games company Sulake, said when asked what was the coolest thing he had seen in technology this year.

"It will change everything."

Clemmer said every smartphone manufacturer was looking at putting NFC in its phones. He reckons up to three-quarters of all smartphones will be NFC phones in

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five years and that some traditional phones will also start adding the technology, particularly for use in developing markets in Africa and Asia.

Barclays Capital's Gardiner said: "NFC has the potential to evolve into a billion-dollar-plus semiconductor market over the next four to five years."

LOW RISK, SMALL CHANGE TO DRIVE FIRST WAVE

Low risk data transfers like using NFC to read tags on movie posters, connect to wifi at cafes and swap business cards will help boost acceptance and drive the first big wave of NFC rollout to the consumers.

The interaction of smart posters and coupons is projected to help drive the adoption of NFC with consumers, according to Don Tait from IMS Research in the UK.

IMS estimates that by 2015 there will be more than 900 million devices with NFC technology including cellphones but also in terminals, laptops, tablets, tags, tokens, posters, watches, headsets and ATMs.

The "physicalisation of social media" or swapping LinkedIn Profiles or Facebook pages, Foursquare checkins and sharing games on line, is expected to be one of the most popular uses, according to David Birch from Consult Hyperion.

Electronic payments will still be the key driving force in the widespread acceptance of NFC, but initially the financial amounts in question will remain limited.

The Barclays-Orange mobile service launched on Friday only allows transactions up to 15 pounds, (\$24) at a time, since the initial scheme wants to try to replace the cash people fumble for when looking to pay for that first coffee or morning paper.

"Right now we are looking at areas around low value transactions, as we're trying to see what consumers want and how much they feel comfortable with, said James Rees from Orange, adding that eventually that sum would be raised.

Opera Software co-founder Jon von Tetzchner told the summit NFC in its current form was "cute" but that he's still waiting to be able to do "real commerce" from the mobile phone, at least as much as is now currently possible from a personal computer.

From initial NFC trials, consumers have found NFC-enabled phones intuitive and easy to use and finding it easy will help the technology to be adopted by wide sectors of the population.

Olivier Piou, chief executive of smartcard maker Gemalto speaking at the summit said NFC pilot projects Gemalto has been involved with have shown that consumers find it so easy, they welcome using the technology.

"If you ask a grandmother in Nice or Colombia, for them it is normal, it's just a wireless device, and the fact that it works by proximity is absolutely normal."

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