Digital 'Wallets' Proliferate At Cellphone Show

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NEW ORLEANS (AP) — Cash, coins and credit cards are so Twentieth Century.

At least, that's the opinion of the electronics manufacturers, phone companies, banks and credit card issuers that expect cellphones to be the main way consumers pay for purchases in the not-so-distant future.

The trouble is, that vision-of-tomorrow is somewhat blurry, as evidenced at the U.S. cellphone industry trade show held this week in New Orleans. There are a lot of ideas, but little agreement.

The stakes, however, are high.

"Eighty-five percent of the world's transactions are still made with cash and checks. We have a wonderful opportunity to convert those," said Gary Flood, MasterCard's president of global products and solutions, in a keynote speech at the show.

One concept that gets a lot of attention is the "digital wallet" — a virtual repository for our credit card numbers, receipts, coupons. It's not much different from a PayPal account, which can be linked to different cards. A lot of companies see the wallet as the key to influence in the world of mobile payments, especially if it sits on a cellphone, not just on a PC. Google introduced its Wallet last year. It's available on a few phones that can be tapped against certain payment terminals to complete a payment.

Andrew Lorentz, a lawyer at Davis Wright Tremaine LLP who works with the payments industry, said at the show that if he had a dime for every digital wallet that's been announced, he'd be rich.

"I can have more wallets than cards," he said.

At the show, MasterCard announced a service that could speed up wallet proliferation even more. The company's idea is to let any company that wants to set up its own wallet.

"The idea behind this is: How do we get more wallets and more innovation?" said Ed Olebe, MasterCard's senior vice president of e-commerce development.

Consumers trust their banks, he said, and might want to keep their cards in a bank-branded wallet. Banks, meanwhile, want to extend their relationships with customers, tying them closer. Stores may also want their own wallets, taking the step up from issuing loyalty and credit cards.

MasterCard's wallet, revealed at the show, will be live this fall and ready for

purchases on Barnes & Noble's website and through the American Airlines phone app. Instead of entering credit card numbers, users on those sites will be able to tap a button, jump to their wallets, pick a card and check out.

A crucial question is what information the wallet issuer will be able to see about a consumer's transactions. There's valuable information there that could be used to target marketing offers or for loyalty programs. MasterCard is still working out those details, Olebe said.

"There's a myriad of laws and rules we have to apply," he said. "We don't want to push the envelope on that."

There's no guarantee that MasterCard's wallets will work on phones for tap-to-pay transactions at the register, either. MasterCard is taking a "wait and see" approach to that, Olebe said.

MasterCard competitor Visa is more bullish about tap-to-pay phones. It has an online wallet like MasterCard, but also a wallet application designed to work on smartphones with built-in Near-Field Communications, which enables tap-to-pay transactions. But so far, the few smartphones in U.S. stores that have NFC chips work only with Google's Wallet. What's holding Visa and others back, said John Partridge, the president of Visa, is that the U.S. phone companies have to allow the banks to load cards for use on phones.

Naturally, the phone companies have their own ideas about how digital payments will look in the future. Sprint Nextel Corp. is collaborating with Google and its Wallet, while the rest of the Big 4 national wireless carriers, Verizon Wireless, AT&T and T-Mobile USA, have formed a consortium to create their own wallet.

The phone companies are "earnestly trying to adapt to the new ecosystem," said Bill Greenwell, the CEO of BilltoMobile. "''But there's certainly friction on the legal side and the business side."

His company lets people pay for things through their phones and have the charges appear on their phone bills.

Visa is getting a break at the Summer Olympics in London, where athletes and VIPs will be using the NFC-equipped Samsung Galaxy S III phones with prepaid Visa cards already loaded to make payments.

While paying for things with phones is still in its infancy, accepting payments with phones is already easy. VeriFone Systems Inc., the largest maker of credit-card terminals in the U.S., announced "Sail" at the show. It's a thumbs-sized card reader that plugs into a smartphone, letting anyone who sets up an account accept credit-card payments. It's VeriFone's answer to similar products from financial software-maker Intuit Inc. and startup Square, already in use in New Orleans taxi cabs.

Much like its competitors, VeriFone will send the card readers out for free by mail to anyone who signs up, and will charge 2.7 percent of the amount of any transaction,

or less if the user pays monthly fees.

VeriFone's unique advantage is that its phone-based card readers can be combined with more full-featured smartphone jackets that accept chip-based cards, or full-blown payment terminals, said Dave Talach, VeriFone's vice president of strategic development.

VeriFone's latest terminals are by default capable of accept tap-to-pay transactions, unlike the previous generation. But it will take time for these terminals to replace the old ones. Stores switch them out after three to five years, Talach estimates. That's down from a five-to-seven year cycle earlier, but ponderous compared to the pace of the cellphone world, where a phone is outdated after a year.

"The industry doesn't move as fast as I'd like it to," Talach said.

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