Companies Struggle to Popularize Mobile Money

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BARCELONA, Spain (AP) — Mobile money may seem like a hot concept, but consumers aren't warming to it.

At the world's largest cellphone trade show, here in Barcelona this week, the 70,000 attendees are encouraged to use their cellphones —instead their keycards— to get past the turnstiles at the door. But very few people took the chance to do that. The process of setting up the phone to act as a keycard proved too much of a hassle.

It's a poor omen for an industry that's eager to have the cellphone replace both tickets and credit cards. Companies are building chips antennas into phones that let the gadgets interact with "tap to pay" terminals and other devices equipped with short-range sensors, like subway turnstiles. But getting the technology to do something useful and convincing people to adopt it is a slow process.

To make a payment in a store with your cellphone, "you need a lot of things to align," said Reed Peterson, who heads the Near-Field Communications initiative for the GSM Association, a global trade group for the wireless industry. The phone needs to be properly equipped with NFC hardware and software; the store needs to have the proper equipment and training. The phone company needs to support the transaction, and banks and payment processors need to be in on it.

Some of these things have fallen into place, Peterson said, but the network of commercial agreements that supports these payments needs to expand. And consumer demand remains elusive.

"I want to get to the point where the consumer goes into the store and says 'Show me only the phones that have NFC'," Peterson said.

Today, a buyer is quite likely to go into a store and ask for an iPhone, and that's an obstacle to NFC adoption. Apple Inc. is the lone holdout among major smartphone makers, and hasn't built NFC into any of its devices yet.

Visa, the global payments network, announced a coup at the show: it has struck a

deal with Samsung Electronics to take charge of the "secure element" in the next flagship phone from the South Korean company. The Galaxy S IV is expected to be launched at an event in New York on Mar. 14, though the name has not been confirmed.

The "secure element" is sort of like a safe inside the phone. Whoever controls access to it decides which credit cards, transit passes or other verified "documents" the phone can store. A bank that wants to let customers use their Samsung smartphones as virtual credit cards will have to go through Visa.

Control of the secure element is a crucial battleground for NFC. The GSMA, which is dominated by cellphone carriers, advocates putting the secure element not in the phone itself, but in the subscriber identity module, or SIM card, which plugs into the phone to identify the user and supply a phone number to the network. SIM cards are issued and controlled by the carriers who would like to be the ones in control of the secure element.

While Visa, phone companies and Google (which has its own payment initiative) duel over the secure element, eBay Inc.'s PayPal is wondering what all the fuss is about. The online payment network thinks NFC is a lot more trouble than it's worth. The company isn't afraid to say so at the wireless industry tradeshow.

"If you want to change something, you have to solve problems that people have in everyday life," said David Marcus, the president of PayPal. "It's not like everyone is thinking 'Oh, I wish someone came up with something better'" than paper money and credit cards.

PayPal is putting a lot of effort into making cellphones central to the way we shop, but is focusing on the shopping experience itself, rather than payments. The company's ideal vision for buying a cup of coffee: You pull out your phone on the way to the store, fire up PayPal's app to order your double-skim latte and pay for it in advance. When you arrive at the counter, the barista has your picture and your coffee, and gives it to you right away. Then you're out the door.

Thirty years ago, Marcus said, store clerks knew the people in their neighborhood and greeted them by name.

"We think with this technology, we could recreate that personal connection," he said. "We feel this is going to leapfrog the efforts of NFC."

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