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Panel: Mobile payments misunderstood in U.S.

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SAN FRANCISCO--The media are responsible, in part, for the lack of greater adoption of mobile payment systems in the United States, a panel of payment leaders said here Thursday at the fall 2008 CTIA.

"I think the media, because they don't understand the technology, and consumers, because they don't understand the technology, have created a hysteria around this," said Barry McCarthy, president of Mobile Solutions for First Data. "I think it's entirely unfounded."

Contactless payment systems use near field communication (NFC), an extension of the ISO 14443 proximity-card standard that allows mobile devices to use short-range high-frequency wireless communication between devices. A consumer might, for example, hold an NFC-enabled mobile device near an NFC-enabled point of sale (POS) to wirelessly debit a person's bank account to complete a sales transaction. Or a person might hold an NFC-enabled mobile device near a smart tag embedded in a poster to gain additional information about a product or a service.

In SouthEast Asia and Europe, mobile devices are already being used as electronic wallets. Adoption of mobile payments in the United States has so far been hampered, other members of panel agreed, by a lack of retail adoption. They did, however, cite increasing use with public transit systems and within Quick Service Restaurants.

"I don't think it's necessarily about people being concerned about security as it is understanding just exactly what it is, how it works, and the security that is present there," McCarthy said. "(Security is) an excuse that a merchant might throw out" not to adopt contactless POS equipment today.

James Anderson, a vice president at MasterCard Worldwide, said his company had surveyed consumers on this topic for a few years and found that the security of the new contactless cards was not an issue with consumers in part because of the brand associated with the card, what he called the "brand promise." Anderson said any controversy around security is just "our good friends in the media needing things to write about."

Spencer White, director of Mobile Financial Services for AT&T, argued that NFC was more secure than magnetic stripe cards. He said handling the physical credit card can expose the account number, but mobile NFC exchanges can be secured with one-time token exchanges or PIN codes. "We believe that we can demonstrate, that we can communicate quite effectively that mobile is a more secure solution in general," White said.

White cited two recent test cases in which AT&T equipped customers with NFC-payment-system-enabled mobile phones, and after a short expose they tended to feel more secure by using it. "Mobile has a great story to tell around security, but it's a story that has to be told. It's not intuitive," White said.

Howard Gefen, director of External Payment Services for Amazon.com, agreed. "There's a lot of uncertainty around a new payment system. Customers don't always know what's going to happen so they focus on the unknown, and security is an easy one to go wrong," he said. Gefen said that Amazon's mobile service includes the ability to get callbacks as confirmation, but that after a few purchases, most consumers were confident enough to start turning off that feature.

The panelists agreed that the brand promise would be the primary driving force. For example, knowing that MasterCard, AT&T, and Amazon all guaranteed the user's purchase would be secure tended to win over reluctant customers in the