

MOBILE

## Apple Pay's growth increases pressure on retailers to jump on board

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*Apple Pay extends its reach*

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By CHANTAL TODE

Apple Pay continues to add more partners, including a number of new banks, which will drive perceived value for consumers and encourage more banks as well as retailers to jump on board.

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**Luxury Daily**

The news comes as reports have surfaced that Samsung is in talks with LoopPay to introduce its own mobile payments solution next year, one that would conceivably be more widely available as LoopPay works with legacy point-of-sale terminals. Samsung's interest points to the significant stakes involved, with in-store proximity payments expected to take off in the next few years.

"Apple Pay is rapidly building their stable of card issuers which will increase the perceived value for iPhone 6 owners as they recognize that their payment cards are included," said Thad Peterson, senior analyst at [Aite Group](#), Atlanta. "This in turn will increase pressure on merchants to accept Apple Pay as more and more of their customers become enabled.

"As more consumers become enabled with their issuers coming on line, retail will

increase,” he said.

“Regarding retailers, unless the retailer is a member of CurrentC, there’s really no downside to accepting Apple Pay if their POS terminals are NFC enabled. It’s potentially an incremental transaction, it positions the retailer well for millennials, and can allow the merchant to get under the ‘halo’ of Apple.”

#### Proximity payments

Proximity payments – which are those made with a smartphone at the point of sale in place of a credit card or cash - totaled \$1.6 billion in the U.S. in 2013, according to eMarketer. That figure is expected to more than double this year to \$3.5 billion and jump significantly to \$27.5 billion by 2016.

EMarketer’s research shows there were 11.16 million U.S. mobile proximity payment users in 2013. That number is expected to reach 15.9 million this year and 36.2 million by 2016.

Apple announced this week that it has signed up a dozen more banks, retail stores and start-ups for Apple Pay in recent weeks.

Screen Shot 2014-12-16 at 4.00.26 PM

That Apple Pay, which was launched this fall to much fanfare, continues to add partners in a crowded market bodes well for the solution's future growth. However, it could still take a year or two before Apple Pay reaches critical.

Apple Pay is a mobile payments solution that leverages near-field communications technology and Apple's Touch ID to enable users to pay for in-store and online purchases quickly and easily from their smartphones.

The banks that have signed up recently include SunTrust, Barclaycard, USAA, TD Bank North America and Commerce Bank.

New partnerships

Through its partnerships with financial institutions, Apple claims that Apple Pay now supports credit cards representing approximately 90 percent of credit card purchases in the United States.

“For Apple Pay to catch on it’s critical that more and more issuers adopt the service,” said Drew Sievers, founding partner at fintech investor Operative Capital. “Banks frequently operate as a herd once a new service or technology has been vetted, deployed, and adopted by leading banks.

“That’s what we’re starting to see here as the larger banks adopt and market their support for Apple Pay,” he said. “Midsize and smaller banks will feel forced to join in or be left behind as the critical mass of transactions from the top issuers fuel the market for mobility.”

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Other new partners include Staples, who is accepting Apple Pay at all of its U.S. locations as well as grocery store chains Winn-Dixie and Albertsons.

Later this week, Apple Pay will launch at the Amway Center stadium, where NBA team Orlando Magic plays. As a result, game attendees will be able to use Apple Pay to pay for purchases made during games at the stadium’s retail, food and beverage stands.

Meeting expectations

Apple Pay still faces some challenges going forward.

For example, a number of retailers still have not upgraded to point-of-sale terminals that will accept mobile payments. However, with a deadline of Oct. 2015 in place to meet EMV standards, many retailers are expected to use the opportunity to add mobile payments.

Another challenge is the need for retailers to do a better job informing customers that Apple Pay is available as an option.

Additionally, with a number of retailers involved in the CurrentC mobile payments solution, it is unclear how this will impact their potential involvement with Apple Pay ([see story](#)).

Initial results with Apple Pay are promising, with a number of retailers reporting that they have seen NFC payments increase since introducing Apple Pay.

“In my opinion, Apple Pay is pretty much hitting realistic expectations,” Mr. Sievers said. “Only the most devout Apple fan boys would have predicted a tidal wave of change before year-end.

“Given all the constituencies and deployments hurdles, mobile payment adoption will take time to come to fruition,” he said.

“It’s like a slow leak in a clogged sink. Initially, there isn’t much water in the basin, but come back a bit later and the sink will be full.”

Final Take

*Chantal Tode is senior editor on Mobile Commerce Daily, New York*

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