

COMMERCE

Android Pay debuts while Google Wallet evolves, escalating mobile payments wars

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Android Pay makes its debut

By CHANTAL TODE

Google has beat Samsung to the punch in U.S. mobile payments, launching Android Pay Sept. 10 with a number of big-name merchants onboard, including Macy's, Subway and Walgreens.

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As mobile payments begin to take off, Android Pay and Samsung Pay, which is scheduled to launch in the United States later this month, are expected to go head-to-head for dominance in the Android space. At the same time, Google has relaunched Google Wallet, its failed first attempt at mobile payments, as an application for sending and receiving money.

“Android Pay and the new Google Wallet are going to take mobile payments to the next level,” said Thad Peterson, senior analyst at [Aite Group](#). “They will immediately increase distribution for mobile payments to cover a significant percentage of mobile devices in the market, and they carry the same capabilities and security provided by Apple Pay.

“Beyond that, Android Pay is a platform which will allow the offering to evolve and

deliver a lot more incremental value beyond basic wallet functions going forward,” he said.

“Ultimately, I expect that every issuer who is participating in Apple Pay will play with Google. How could they walk away from 60 percent of the installed mobile base?”

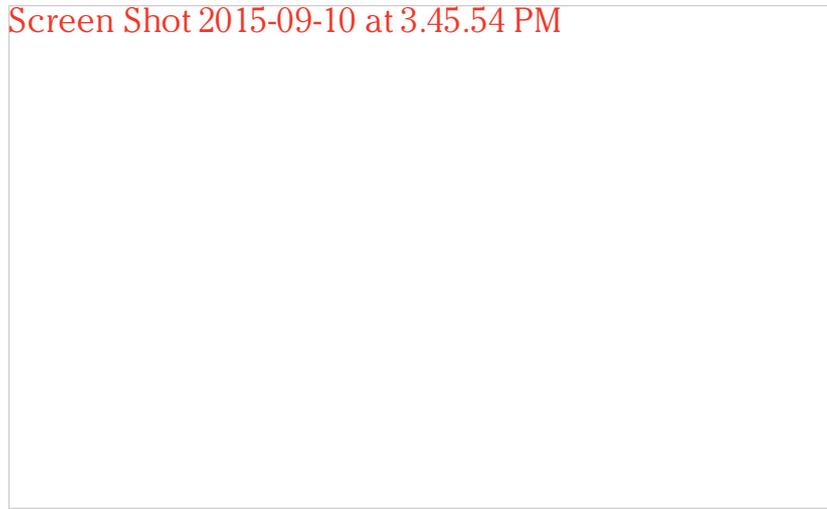
Competing with Apple Pay

Android Pay enables Android phone owners to pay with their phone at more than 1 million retail locations.

Retailers signed on at launch include Aeropostale, American Eagle Outfitters, Toys R Us, Bloomingdale’s, Coca-Cola, GameStop, Jamba Juice, Macy’s, OfficeMax, Panera Bread, Pepsi, Petco, Rite Aid, Staples, Subway, Walgreens and Whole Foods.

Users can also store gift cards, loyalty cards and special offers on their phone.

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“Android Pay will definitely be a strong contender out of the gate given Android’s deep market penetration,” said Drew Sievers, managing partner at Operative Capital. “It’s essentially Apple Pay for Android folks, so it should mimic the growth and acceptance of Apple Pay, although it’s possible that the Android systems lower demographic profile might result in slower initial growth.

“It’s interesting that Chase, a big Apple Pay partner, is noticeably absent from the announcement,” he said.

“Android Pay needs to add all of the same banks as Apple Pay to ensure it is competitive.”

A new Google Wallet

Android Pay works with all NFC-enabled Android devices running KitKat 4.4 and higher. It will support credit and debit cards from American Express, Discover, MasterCard and Visa from a number of banks, including Bank of America, PNC, USAA, and U.S. Bank. Citi, Wells Fargo and Capital One are expected to be added soon.

From a security standpoint, Android Pay uses tokenization, meaning a virtual account number will be sent with a payment instead of a real credit or debit card number.

Going forward, Google will look to bring Android Pay to mcommerce apps.

The new Google Wallet

Also in the works is the ability to transmit loyalty cards and special offers from select merchants with just a tap.

Google is also updating its Google Wallet app, which was previously the company's payments solution but failed to catch on.

The new Google Wallet will be focused on sending and receiving money. Users will be able to send money anyone in the United States with an email address, even those who are not a Wallet user.

When users receive money through Google Wallet they will be able to cash out to a debit card or linked bank account. Users can also spend the money using their Google Wallet Card wherever Debit MasterCard is accepted in the U.S. Additionally, they can use Wallet Card to withdraw money from participating ATMs.

The new Google Wallet app, currently available on Google Play, will be available in the Apple App Store in the next few days.

Critical mass

With Apple Pay, Android Pay and soon Samsung Pay in the market, this goes a long way toward ensuring that nearly all mobile devices have some form of mobile wallet embedded going forward, which will help drive adoption of mobile proximity payments.

All three systems use near-field communications technology, further reinforcing NFC as the leading solution for mobile proximity payments.

Samsung is hoping to boost its play by also enabling payments via the magnetic strip

reader that almost every retailer has installed at their points of purchase. While this could help Samsung sidestep the slow NFC adoption problem that has plagued other mobile payment rollouts, in the long term it may not make much of a difference.

Where Samsung could struggle is in signing up retailers, a key part of the equation in providing a payment solution that consumers will use regularly.

The other mobile payments solution expected this fall is MCX's CurrentC, which was developed by a consortium of retailers. However, there are signs that it is struggling and may not end up having much of an impact ([see story](#)).

"Android Pay will be competitive out of the gate and the capabilities being built into the platform related to in-app and P2P put it in a great position help take the growth of mobile payments to the next level," Aite Group's Mr. Peterson said. "The first shoe fell when Apple announced that Apple Pay would run on NFC. This is the other shoe.

"The tools and functions are now fully in place on the device side, and NFC penetration will continue to grow to criticality in the next two years," he said.

Final Take

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

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