

# ContactlessNews

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## **Stickers: the intermediate step to handset-based mobile payments**

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There's a number of things holding back near field communication, the lack of devices being number one or two on that list followed by the lack of a business case for mobile providers and financial institutions.

But some are moving past those obstacles. Major players in the payments industry are promoting near field communication stickers linked to prepaid accounts as an intermediate step toward paying with mobile phones.

MasterCard Worldwide has announced a deal with Alameda, Calif.-based Blaze Mobile Inc. to market the stickers, and Visa USA is working with Greenwood, Colo.-based First Data Corp. to popularize the GO-Tags that can take the form of stickers, pins, key fobs or wristbands.

“Nirvana is having the NFC chip embedded in the phone – this is an interim solution until NFC mobile phones are available,” Michelle Fisher, Blaze Mobile CEO, says of the stickers.

Consumers may obtain and use Blaze Mobile MasterCard PayPass mobile payment stickers for free by logging onto [blazewallet.com](http://blazewallet.com), says Simon Pugh, head of MasterCard's Global Center of Mobile Excellence. First Data says GO Tags will become available to the public later this year.

Consumers could affix the stickers to their cell phones or hand-held computing devices to make electronic payments at any contactless terminal. The stickers, about a third the size of a business card, contain a computer chip that communicates via radio signals to contactless payment terminals in a transaction insiders liken to an “electronic handshake.”

“A contactless sticker is like a miniature adhesive gift card with an NFC chip inside,” says Sarah Owen, vice president of product development for mobile commerce solutions at First Data.

The Blaze MasterCard stickers enable consumers to make purchases where contactless payments are accepted. However, the MasterCard and Visa projects are limited to making payments drawn from prepaid accounts. For now, issuers are not linking the stickers to debit or credit cards, but they could in the future, sources say.

The hope is that NFC stickers will create bottom-up demand for contactless and for NFC phones, says Ed Lawrence, managing associate at Westbury, N.Y.-based Auriemma Consulting Group Inc. At first, consumers will want the contactless stickers, he says. Later, they will want all of their cards on chips inside NFC phones, he continues.

The prepaid market will drive demand initially, and then legions of youthful consumers will adopt the technology, says Lawrence. He points to the 18 to 34 year-olds of the world who are wedded to their phones and to doing everything conveniently and fast over the Web. “It will explode and the world will never be the same,” Lawrence predicts.

Owen also foresees widespread adoption and cites convenience as a driver. A First Data study indicates contactless payments typically take place two to three times faster than cash or no-signature card payments and about five times faster than card payments requiring a signature, she says.

Despite the newness of NFC, a January 2008 First Data survey of more than 2,700 consumers aged 18 years or older indicated 65% of respondents were interested in learning more about the technology, 78% of self purchasers indicated interest, 60% of those interested indicated a likelihood of using contactless stickers at least once a week and 40% expected to use it more frequently than that, Owen says.

Blaze Mobile began experimenting with stickers about three years ago, creating six iterations before settling upon a final design, Fisher says. An early version the size of a poker chip slipped off the phones, she recalls. Now, a third-party

manufactures the final configuration of the devices to Blaze Mobile specifications, she says.



First Data generated some buzz for GO Tags last summer by providing delegates to the Democratic National Convention in Denver with contactless pins charged with \$10 in free refreshment-stand purchases. Earlier, tests in corporate cafeterias indicated 40% of users visited the employee cafeteria more often when they had their sticker and 17% spent more per visit to the cafeteria, Owen says.

**The stickers have no serious durability issues, says Fisher, who has carried a phone with a sticker attached in her purse for some time without incident.** INSIDE Contactless is supplying the chips in pre-laminate stickers to First Data.

Storm Lake, Iowa-based MetaBank will issue the Blaze Mobile MasterCard stickers. Visa and First Data say they are “in discussions” with financial institutions interested in issuing GO Tags and have signed up retailers to accept and distribute the devices.

Neither MasterCard nor Visa commented on marketing plans, but Lawrence envisions a MasterCard Priceless campaign for NFC stickers.

“They’ll advertise and it’ll be a big splash,” he says. “I think it’s going to work.”

Disseminating the stickers could help the payments industry solve the “chicken and egg” conundrums that stymies contactless payments and mobile banking, says Auriemma’s Lawrence.

Merchants have hesitated to invest in new contactless terminals or retrofit older terminals to accept contactless payments because financial institutions have not issued enough contactless cards, sources agree.

“Maybe you have 200,000 contactless terminals in the United States, and there’s four million to six million merchants,” says Lawrence.

In addition, the decision to promote “tap and go” contactless as a way to avoid the time-consuming swipe of a mag-stripe card also limited the spread of the technology to convenience stores, gas stations and quick-serve restaurants, says Lawrence. Department stores and big-box retailers are less concerned about moving customers through the checkout line more quickly, he says.

The added expense of contactless cards and stickers also scares off some issuers, Lawrence says. Depending upon the number of cards ordered, contactless versions cost \$1.50 to \$2 more than magnetic-stripe cards. Commonplace magnetic stripe cards can cost as little as 25 cents each in sufficient volume, he says. Contactless stickers cost even more than contactless cards, according to published reports.

Meanwhile, carriers and phone manufacturers have been slow to include NFC chips in cell phone handsets because technology standards have been lacking and because the chips cost \$10 to \$15 per phone, Lawrence says.

While NFC adoption has increased abroad, Owen quotes the Waltham, Mass.-based Mercator Advisory Group Inc. as describing the number of NFC-enabled phones in the United States as “between zero and next to zero.”

However, that could change soon, according to Blaze Mobile’s Fisher. U.S. carriers have begun considering purchasing NFC-equipped phones, she says. Mass quantities could appear in two years, and the technology could become pervasive in three years, she continues.

**“My dream would be that every phone has an NFC chip, just like every cell phone now has a camera,” Fisher says.**

Until that day, however, First Data and Blaze Mobile hope their stickers can help bridge the mobile payments gap. ■