

[Sign in](#) | [Register](#)

Go to:

The Observer **Cash**

Home	UK news	International	Politics	Business	Comment	Leaders	Focus
Sport	Review	Magazine	Screen	Travel	Cash	Letters	Food

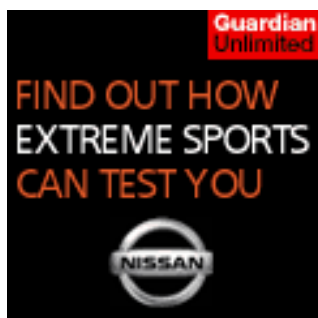


Lend me your phone for the coffee machine?

Nick Kettles on payments by mobile

Sunday June 6, 2004

[The Observer](#)



Future scenario, 2010. You're at the vending machine and find you're short of change, but that plastic cappuccino is just too tempting. No problem, you can use your mobile phone.

Come again? That's right, like a TV remote control cum six-shooter, you whip it from your holster pocket and zap the machine with its infrared laser beam. The machine splurges into action, while your network operator adds the cost of your hot milk as a line item to your next phone bill.

Science fiction? Trials have been under way in Finland and South Korea for some time. Using mobile phones to make 'micropayments' from an unattended point of sale (UPOS) is fast becoming a reality. In February, handset manufacturer NTT DoCoMo launched its latest 900i series with infrared and a 2D barcode reader. Using camera phones to take a picture of a barcode that takes you straight to a website, also viewed on a mobile, where purchases can be made, is another way to make micropayments. NTT DoCoMo is also looking into Radio Frequency ID, a system currently used by London Underground's oyster cards.

However, Tim Jones, CEO of Simpays, created by the leading network operators to enable mobile commerce through an open clearance and settlement service (similar to Visa), says: 'While the technology is mature and very exciting, micropayments like these only work in certain niches, where the economics have been worked out, such as mass transit systems.'



The sticking point is that unlike credit cards, where purchases are large enough to allow the merchant charge to be as little as two per cent, micropayments handled by the network operators only go up to £5, necessitating a massive 25 per cent merchant charge per transaction. Few food or drink manufacturers want to pay that, when it costs almost nothing to sell their goods via vending machines that use hard cash.

Where micro payments at a UPOS may initially succeed is for those transactions for which people are prepared to pay more in return for more convenience, such as parking. Certainly, many of us would forgo the hassle of getting change from a passerby for an extra 50p.

In Austria, Paybox Solutions AG and Mobilkom Austria recently launched their 'm-parking' service, allowing people to both purchase and prolong their parking ticket by mobile phone. In the first three months of operation, more than 300,000 parking tickets were sold in this way. Britain's local authorities have been somewhat slower out of the blocks, although you can pay London's congestion charge by mobile phone using SMS text messaging.

Jones suggests that before micropayments at a UPOS become commonplace, we will have to get used to using mobile phones for other purchases. Initially this will focus on the purchase of digital content, already a live market with the sale of ringtones, games and video clips fast increasing. Content creators can also offer near-perfect video. At this year's GSM conference in Cannes, Disney showcased a series of 30-second cartoons.

A second area covers the purchase of goods and services, via websites designed for mobile phones, typically hosted within portals such as Vodafone Live and T-Zone. For spontaneous purchases such as cinema tickets, flowers or small gifts, the purchaser must use their credit or debit card. This can be done by punching in the numbers on the keypad, or registering your card details with the operator to use secure payment services such as Vodafone's m-pay. Simpay has a yet-to-be-launched product that will allow payment at any portal site.

We may be conditioned to the rectangular shape of credit and debit cards, but the information is in the chip, or the strip on the back, and can easily be put into a phone. Indeed, Pin numbers and the unique properties of each Sim card might make it a safer place to store your card information than your wallet. Zap the vending machine; zap the subway gate; zap the Starbucks cash register.

Tools

- [Text-only version](#)
- [Send it to a friend](#)
- [Save story](#)

- ‡ It may be some way off before the mobile phone replaces your wallet completely, but it is where micro payments meet location-based marketing that will ultimately persuade the big brands to fully participate. Because your phone continuously emits a signal linking it to the nearest cell within the network, it is possible to track where and

The Observer

[Front page](#)

[Story index](#)

Recent articles

[Why you're still in shackles after your cut-price mortgage ends](#)

[All the latest money news](#)

[Policies for your pets](#)

[Maria Scott: We don't panic when it comes to the payoff](#)

[Ancient and modern make perfect match](#)

[Lend me your phone for the coffee machine?](#)

[Property: An East full of promise?](#)

[Dream home: Liverpool Road, Kingston upon Thames, Surrey](#)

[Property: Golden eggs from the offspring's nest](#)

[When two become one](#)

[Don't get burnt in the sun](#)

[Pricewatch West Midlands](#)

[Property: Make me an offer](#)

[Property: Finishing touches](#)

[Property: Agents turn to secret service for a match made in heaven](#)

The Guardian

[Front page](#)

[Story index](#)

when any transaction is made.

This is like winning the lottery for marketing departments, as detailed patterns of customer buying behaviour emerge.

For example, a large soft-drinks manufacturer would be able to see how customers react to promotions and to track which drinks they are purchasing, and where and when they are purchasing them. Oh dear.

Currently, the technological infrastructure is not complete, standards must be thrashed out and agreed, upgrades to merchants' point of sale terminals must be made, but if the operators have their way, this will not be another orphaned IT child.

Whether the mobile phone has sounded the death knell for hard cash remains to be seen, but Kenny Fraser from PricewaterhouseCoopers suggests mobile micropayments will prove attractive to high street banks. He says: 'Hard cash both necessitates the cost of branches and employees to count it. And when it's not in the bank it's not earning interest.'

As for the euro debate, mobile micropayments make our emotional attachment to bits of metal and paper seem the greatest folly.

