Apple Said to Team With Visa, MasterCard on IPhone Wallet

By Matt Townsend - Sep 1, 2014

Apple Inc. (AAPL) plans to turn its next iPhone into a mobile wallet through a partnership with major payment networks, banks and retailers, according a person familiar with the situation.

The agreement includes Visa Inc. (V), MasterCard Inc. (MA) and American Express Co. (AXP) and will be unveiled on Sept. 9 along with the next iPhone, said the person, who asked not to be identified because the talks are private.

The new iPhone will make mobile payment easier by including a near-field communication chip for the first time, the person said. That advancement along with Touch ID, a fingerprint recognition reader that debuted on the most recent iPhone, will allow consumers to securely pay for items in a store with the touch of a finger.

While companies such as Google Inc. (GOOG) have invested in creating ways for phones to make payments in a physical store, U.S. retailers have been slow to adopt the technology, thus limiting the use by shoppers, according to Ben Bajarin, an analyst for Creative Strategies LLC in San Jose, California. That could change with Apple entering the market because iPhones have the largest market share in the U.S., he said.

Apple Leads

“Love it or hate, Apple drives a lot of standards in the industry,” Bajarin said in an interview. “They are the mover in these markets. When they do something, the industry seems to follow.”

Trudy Muller, a spokeswoman for Apple, declined to comment, as did Jim Issokson, a spokesman for MasterCard, and Mike O’Neill, a spokesman for American Express. Representatives from Visa didn’t immediately respond to a request for comment.

For Apple, the push into creating a mobile wallet is to keep users within its ecosystem, thus creating more loyalty to its brand and demand for its products, Bajarin said.

“It’s about retention, solving and adding features that keep your base engaged and keeping them loyal,” Bajarin said.

Apple’s move is also about generating more revenue from the roughly 800 million global iTunes accounts, which include payment information, that have already been created, said Richard Crone, chief executive officer of Crone Consulting LLC, which advises retailers and banks on mobile-payment
Marketing Platform

Until now, iTunes accounts have been used in Apple’s marketplace, which is tiny compared to the vast retail market, Crone said. If Apple’s mobile wallet takes off, it could open up new possibilities as a marketing platform by generating advertising revenue from consumer brands wanting to reach shoppers while in a store. Crone’s firm estimates that a frequently used mobile wallet application could generate about $300 a year per user from advertising.

Apple’s success will largely depend on the acceptance of the retail industry, which has been wary of handing over the data gained during a transaction to a third party, Crone said. A group of chains, including Wal-Mart Stores Inc. (WMT), formed a company in 2012 to build a mobile-payment system that has yet to release a product.

“There’s huge potential with Apple having a market-defining opportunity,” Crone said. However, “there’s lots of moving parts in payment that make the deals they did with artists and Hollywood for iTunes look like child’s play.”

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