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US Mobile Payment Adoption Slower Than It Needs to Be

Card Network Rules and Technology Limitations Remain Biggest Barriers to Adoption

Mobile payment adoption is still not as far along as many stakeholders in the United States would like it to be. According to a recent Federal Reserve consumer survey, only 24% of mobile phone owners reported having made a mobile payment in the 12 months prior to the survey.1

Ever wonder why the hold up?

For starters, many of the largest U.S. merchants are wary to turn on contactless Near Field Communication (NFC) payment technology acceptance at the checkout. NFC is the technology that allows a smartphone owner to conduct a mobile payment in-store through wallets like Apple Pay or Android Pay. On the surface, the tap-and-go contactless technology seems great for moving people through lines quickly and providing a smooth customer experience at the checkout. However, existing payment card network rules and technology limitations continue to deter many merchants from launching NFC acceptance.

Visa and MasterCard are trying to extend the Honor All Cards merchant acceptance rules2 to mobile payments. However, unlike cards, wallets bring a whole new set of industry participants, including a whole new set of competitors to merchants themselves. The MAG believes merchants should get to pick who they do business with in the mobile payments space. Visa and MasterCard should not make that decision for them, especially without indemnifying merchants against any legal issues that might arise as a result of the wallet acceptance.

The application of Honor All Cards to mobile commerce essentially creates an Honor All Devices/Wallets rule. So if a merchant turns on NFC contactless acceptance technology right now, they are effectively agreeing to accept any mobile wallet that’s presented for NFC contactless payment even if a NFC wallet with inadequate data and security protections comes along that puts both the business and customer at risk.


2 Honor All Cards says that if a merchant accepts a Visa-branded or a MasterCard-branded credit card, the merchant has to accept every type of Visa-branded or MasterCard-branded credit card.
“Merchants have major concerns that the way mobile commerce is being driven by the major credit card networks in the United States will essentially preclude merchants from having direct relationships with many wallet providers,” said Merchant Advisory Group CEO, Mark Horwedel. “The problem with that is merchants have no control over the security, cost and liability associated with the wallets being presented in their store; the collection, use, and management of any data that flows through those wallets; and most importantly, the experience of the customer when using those wallets.”

If merchants were able to negotiate individually with digital wallet providers, they would likely adopt digital wallets more quickly because there would be clear value propositions for acceptance of those wallets.

In addition to the adoption barriers created by card network rules and policies, merchants do not currently have the ability to determine which NFC wallet is being presented for payment in their store, or what financial products are available within those wallets even though both situations could be easily remedied. These technology inhibitors are proving to be barriers to adoption and need to be resolved.

“It is in the best interest of all U.S. businesses and consumers to pave the way for open innovation and competition in the mobile space,” remarked Horwedel. “If card networks want merchants to turn on NFC contactless technology in their stores, this can best be achieved by providing more details and insights to the merchants regarding the wallets being presented at the checkout, and alteration of their card acceptance policies to ensure merchants aren’t bound by one-size-fits-all acceptance terms.”

According to the Federal Reserve Consumer Survey, among the survey respondents who said they do not use mobile payments, the most common reason for not adopting the technology is that they prefer to use other means of making payments: 80 percent reported that it is easier to pay with other methods (figure 7). Sixty-seven percent cited security concerns, and a similar proportion (65 percent) did not see a benefit to using mobile payments.3

Broader stakeholder input—including consumers, merchants, issuers, acquirers, technology firms, accredited standards bodies, domestic card brands, etc.—into wallet acceptance operations will help all stakeholders avoid some of the pitfalls of legacy card payment systems and enhance the customer value-add components associated with mobile payments, such as discounts, rewards, and loyalty.

Visit the MAG website for more background on mobile commerce competition.


The Merchant Advisory Group (MAG) was founded in 2008 by a small visionary group of merchants in the payments field dedicated to driving positive change in payments through multi-stakeholder collaboration. Today, the MAG represents over 100 of the largest U.S. merchants who account for nearly $2.6 trillion in annual sales at over 430,000 locations across the U.S. and online. Roughly $1.5 trillion of those sales are electronic representing over 41 billion card payments. MAG members employ nearly 11.5 million associates.

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