

## Despite security concerns, payment innovations abound

As observed before, the one thing holding back an explosion of new payments options has been the consumer's legitimate concern about security. That said, however, nothing has stopped a lot of smart people and companies from thinking about what may be possible once the security issue is resolved.

And well they should. Because the security issue is being addressed by other smart people.. Read the related story on [ababj.com](http://ababj.com) about how First Data's powerful TransArmor encryption/tokenization solution has been built into ABA Software's far-reaching merchant payments suite, which likely will be embraced by the biggest consumer chain stores in North America. Things like this will help mitigate concerns about fraud and hacker attacks, and open new ways of offering and accepting payments.

On the drawing board there certainly are many new payment scenarios being contemplated. Culled from releases in just the past few weeks are such ideas as: Enabling remote credit card payments to contribute to political fundraisers right on the campaign trail; encouraging bus companies to embrace contactless payments; allowing people to send and receive money from within Facebook; and promoting virtual gift cards that require no plastic at all.

Probably more substantial than these are studies and announcements about prepaid cards. And probably overriding these is PayPal's recent journey into small business lending.

First though, the fun stuff.

- Intuit Inc.'s GoPayment now offers a free mobile credit card app and card reader hardware enhanced to accommodate political donations. Fundraisers can use GoPayment to process credit card donations while collecting the donor information often required of campaigns to be legally compliant.

- MasterCard just released a survey that finds two thirds of U.S. commuters who use cash for public transportation worry about not having enough cash on hand to pay for their trip. The conclusion: "Commuters want a better way to buy their fare, and open-loop contactless payment options such as MasterCard PayPass eliminate the need to wait in line, fumble for exact change, or carry multiple fare cards so that it is easier to board and be on your way," says Catherine Murchie senior vice-president at MC. Transportation systems in Chicago and Philadelphia already offer such options.

- American Express offers an app called Serve that allows friends to send, receive, and request money from directly within Facebook—all without fees.

- Affinion Loyalty Group, in a recent survey, found that when given a choice between a physical gift card and a virtual one for a particular brand, nearly 61% of consumers chose the virtual option. Such cards are delivered electronically to an email inbox or mobile phone via text message.

Prepaid cards are getting a lot of interest and scrutiny, generally with favorable conclusions. The people at First Data track this pretty closely and, in a 2011 year-end report, found a distinct and enduring uptick in prepaid card use. "The state of the economy in the United States led to a significant increase in the average consumer's usage of prepaid cards. Consumers were more willing to reload gift cards in order to earn discounts and rewards in everyday spending categories of grocery, discount, and gasoline," says Silvio Tavares, senior vice-president at First Data.

Similarly, Bretton Woods Inc., in its own study, found that prepaid cards can be economical to the user. "Consumers who use a reloadable prepaid card to manage their finances can do so at a relatively low cost—as little as \$8 per month—often paying less than the costs associated with low-balance checking accounts or the costs associated with cash-based lifestyles that include using money orders and check-cashing services," the company's report says.

ABA's own Community Bank Prepaid Program, launched just nine months ago, now boasts 45 banks issuing cards in nearly 600 branches nationwide. It's serviced by TransCard. "Many people see prepaid cards as a safe, convenient alternative to cash, and the banks offering these cards are seeing explosive growth," said Bill Kroll, president of Business Solutions at ABA, in a statement about XXXXX. Business Solutions oversees the association's prepaid program, as well as other services.

Rounding out the sprint toward payments innovation, one has to consider PayPal and its recent incursion into small business lending, called PayPal Here. Read the details in the related story elsewhere on [ababj.com](http://ababj.com). In short, it has a free app and encrypted thumb-sized card reader, which allows payment via smart phones. Small businesses, service

providers, and casual sellers can send invoices, or accept debit and credit cards, checks, and PayPal itself using one simple product.

It's worth paying attention to the people at PayPal. Here's how David Marcus, vice-president of Mobile at PayPal, puts it: "We've heard small businesses loud and clear. They don't want to miss sales opportunities because they can't accept the payment type that their customers want to use. They want quick access to their money, a reliable card reader, and one transparent, low fee to process these payments."

That could be the driving sentiment behind all these and soon-to-come payments innovations.

References used in this article include:

More than 40 community banks join prepaid program

Consumer Acceptance of Virtual Gift Cards on the Rise: 61 Percent Choose Virtual over Plastic

Serve from American Express Unveils Send, Receive and Request Money App for Facebook; App Allows Friends to Send, Receive and Request Money from Directly within Facebook

Reloadable Prepaid Cards Are Low-Cost Options Compared to Other Financial Tools According to Annual Bretton Woods Analysis

First Data Advisors Releases New Year-End Prepaid Research

GoPayment Hits the Campaign Trail

MasterCard Survey Finds Commuters Ready to Kick Cash to the Curb in Favor of Contactless Payments

PayPal Unveils PayPal Here: the First Global Mobile Payment Solution for Small Businesses

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