

Problems at the Pump

RFID is catching on as a payment method, but the industry needs an Auto-ID Center-like consortium to create standards.

April 12, 2002 - The TowerGroup, a Needham, Mass., research company focused on the impact of technology on financial services has issued a report stating what's been obvious for a while: that RFID payment systems are an important mobile commerce technology.

Big technology and telecommunications companies have been focused on smart phones and personal digital assistants, predicting that they will become the way people pay in the future. Few of those companies seem to notice that 6 million people already pay electronically using ExxonMobil's Speedpass.

Eventually the phone companies and PDA people might figure out that shopping on your phone or PDA is a loser and figure out something useful to do with those tools. Some will figure out that the way to make those devices useful for shopping is to put an RFID transponder in them, something Nokia has already done.

RFID is not just a first stage "m-commerce" technology, as the TowerGroup suggests. RFID is here to stay. And here's why: It's fast, convenient and reliable. Consumers don't have to learn anything, fiddle with tiny keyboards or even remember to bring along a gadget. All they need to pay is attached to their key chain.

But there's one big problem with RFID as a payment system: All the systems out there are currently proprietary. Philips 66 and Citgo are running pilots of RFID payment system. Neither is compatible with ExxonMobil's Speedpass. The convenience of RFID is lost if consumers have to have a separate key chain fob for every place they shop.

The TowerGroup anticipates that brands will team up to offer RFID convenience. McDonald's has been running trials where people pay using Speedpass. This will help RFID systems penetrate the market, but it doesn't solve the problem of incompatible systems. What's needed is for an Auto-ID Center –like consortium to create the standards and infrastructure for anyone to pay with any key fob anywhere in North America, maybe the world.

A consortium should consist of the key point-of-sale terminal vendors (Verifone, Hypercom and so on), the key RFID transponder makers (Texas Instruments, Philips Semiconductor) and some of the key users and potential users (ExxonMobil, other gas station chains, fast food restaurants and so on).

Don't hold your breath, however, waiting for it to happen. ExxonMobil has a huge lead on everyone else. It wants to keep that advantage and even extend it by charging other companies, like McDonald's, for the right to let customers use Speedpass. You can't blame ExxonMobil. The company deserves to profit from its ingenuity. But in the end, the failure to agree on open standards will hurt consumers and slow adoption.

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