

# MasterCard to Test RFID Card

Pilot will test whether consumers, merchants and credit card issuers value "contactless" payments.

Dec. 20, 2002 - MasterCard International plans to launch a pilot in Orlando, Florida, to test market acceptance of a new RFID smart card program called PayPass. More than 15,000 consumers will be issued credit cards that can communicate with readers by simply waving the card near the payment terminal. If the test proves successful, it could pave the way for a broader rollout of the technology.

MasterCard hopes the convenience of contactless payments will extend its reach to transactions that have traditionally been done in cash. The company's consumer research indicates 63 percent of consumers would "definitely" or "probably" use MasterCard PayPass if their bank offered it to them. And those that would definitely use it said it would replace cash in more half of their future transactions. "We don't want to simply replace existing MasterCard transactions," says Murdo Munro, MasterCard's VP of mobile commerce.

Among the merchants that will participate in the Florida pilot are Boaters' World, Chevron, City of Orlando Parking, Friendly's, Loews Universal Cineplex, Ritz Camera and Wolf Camera. MasterCard says it will add fast-food restaurants in January.

Three MasterCard credit card issuers – Chase, Citibank and MBNA – will issue 5,000 or more PayPass cards in the Orlando area. PayPass was designed by MasterCard to add contactless payment to credit, debit or prepayment cards. But for the trial in Orlando, the issuers will offer only credit cards with the PayPass feature.

Merchants will be given adapters that plug into conventional magnetic stripe credit card terminals. The adapters are RFID readers that turn the data from the card into pulses on the magnetic coil that can be read by the mag-stripe reader. The contactless cards are faster than swiping a mag-stripe card, but the authorization is still done the conventional way, which can slow transaction times.

One concern with contactless payments has been security. Munro says contactless cards are safer than mag-stripe cards because they reduce the number of times consumers have to hand their card to someone else to perform a transaction. The PayPass cards use the ISO 14443 standard for contactless chip cards, which includes sophisticated encryption algorithms. The microchips are made by Infineon, Philips Semiconductors and others.

MasterCard hopes that merchants will like the new contactless card because it speeds up payments and encourages people to spend more than if they had to pay with cash. And the company hopes issuers will be able to attract new customers by offering the newfangled cards. But it may be a while before PayPass catches on.

One reason is that it takes a long time to get merchants to replace point-of-sales terminals with new equipment. And customers won't be interested in a card that only offers convenience at a handful of outlets. Munro acknowledges the problem and says that it will be up to the merchants and the issuers to drive adoption.

"How [the technology] is deployed will depend on what the merchants and issuers want to do," he says. "It is their business case that will be driving this. Assuming trial is a success, we will work with merchants and issuers to see what is the best deployment strategy if they want to move forward."

The pilot in Orlando is expected to run from January to June.

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