

Philly To Get RFID-enabled Vending Machines

USA Technologies will add its RFID-enabled payment terminals to 1,000 Coca-Cola vending machines in the Philadelphia metro area.

By Mary Catherine O'Connor

June 28, 2006—If you're in the Philadelphia metro area this summer, you're thirsty and you happen to have an RFID-enabled payment card in your pocket, you'll be able to wave the card and get an ice-cold Coca-Cola from select vending machines.

MasterCard, USA Technologies and the Philadelphia Coca-Cola Bottling Co. have teamed up to RFID-enable 1,000 vending machines for this venture. From next week to mid-August, USA Technologies will install its Generation Six (G6) e-Port cashless payment terminal in the machines. The terminal has an RFID interrogator that reads RFID-enabled payment devices.

MasterCard is purchasing the \$400 e-Port terminals and installing them in vending machines to encourage the use of PayPass-enabled cards or key fobs. However, the terminals also read RFID devices used in Visa Contactless and AmericanExpress ExpressPay devices.

All three payment systems share a common air-interface protocol—the ISO 14443 standard—though each uses a unique security protocol to protect account data transmitted between the card and the interrogator built into the payment terminal.

The Philadelphia Coca-Cola Bottling will pay USA Technologies a monthly service fee of \$140 for each G6 terminal and access to the payment network, through which USA Technologies processes cashless payments (made either with a traditional mag stripe card or an RFID card). It will also pay a processing fee for each cashless purchase made at each machine outfitted with the G6 terminal (regardless of whether a mag-stripe or RFID card is used to make the payment).

Still, according to George Jensen, CEO of USA Technologies, Philadelphia Coca-Cola Bottling and other companies that manage or distribute to vending machines stand to gain increased sales by adding cashless payments to its vending machines. "There's a 20-percent lift in sales when a cash-only machine is changed to one that accepts cashless payments," he says. Plus, the average transaction made at a vending machine with the ability to take credit or debit cards is 50 percent higher than one made with cash, he adds.

Will adding the ability to pay with an RFID card or fob, however, lead to improved sales over traditional credit cards? USA Technologies wouldn't say, and MasterCard refused to release any specific data about sales made with PayPass. "We wanted to see [from the 500 RFID terminals USA Vending installed last year] if there would be traction—and we've seen that there is. The technology is working," says T.J. Sharkey, MasterCard's vice president of business development, U.S., acceptance.

According to MasterCard, this is the largest rollout of RFID-enabled payment technology in vending

machines in a U.S. market. USA Technologies began incorporating RFID interrogators into its payment terminals in 2004 to RFID-enable the vending machines used at MasterCard's cafeteria in its corporate office, where PayPass was initially tested.

USA Technologies is based in Malvern, Pa., and provides wireless, cashless, micro-transaction and networking services to the vending machine, hospitality and laundry industries. Last year, the company RFID-enabled 500 vending machines across New York City and Atlanta (see [Vending Machines Accept RFID Cards](#)). In these machines, the company installed its G5 e-Port payment terminals, which only process magnetic-stripe payments. The terminals had to be retrofitted to accommodate the interrogator. The latest version of the e-Port, the G6, comes with the interrogator built in. Jenson says the company is selling the G6 for the same price as the G5, to encourage more distributors and vending-machine management companies to install RFID-enabled payment terminals.

Sharkey says Philadelphia Coca-Cola is working with USA Technologies to determine which vending machines will receive the upgrade. "They are looking at places with a lot of foot traffic," he says, "such as shopping malls."

The Philadelphia Coca-Cola Bottling Company is the fourth-largest distributor of Coca-Cola products nationwide, serving 5.6 million consumers. Worldwide, says Jenson, most of the \$40 billion global beverage and snack-food vending and kiosk payment industry is currently cash-based. USA Technologies believes the e-Port cashless payment and networking services, combined with the RFID-enabled payment cards being offered by the credit-card organizations and issuing banks, could revolutionize the global vending industry by providing consumers an alternative to cash and coins.

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