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RFID Payment System for Cars

Topics/Verticals: Payment Systems

iPIN, a transaction payment infrastructure copany, is working with an unnamed auto manufacturer to develop an RFID payment network.

Aug. 15, 2002 -- iPIN, a Belmont, Calif., company that has developed a transaction payment infrastructure, says it is working with an auto manufacturer to develop an RFID payment network in North America. The system, in theory, would rival ExxonMobil's Speedpass.

The auto company, which refuses to be identified, hopes to take advantage of the growing popularity of RFID payment systems like the ExxonMobil Speedpass, to create new revenue streams. The company could get a small fee for each transaction, or sell data gathered about drivers' spending habits.

The goal is to make it possible to buy gas, coffee, or fast food by using an RFID tag either built into the car or provided along with the car. A merchant's reader would recognize your unique ID and bill your credit card for the purchase. iPIN will provide the entire infrastructure to enable the settlement of the transaction.

iPIN was launched five years ago to create a branded payment system that enable subscribers of Internet service providers to purchase low-priced items without a credit card. The model changed over the years, and the company now licenses its technology to telecommunications companies, multiple-service providers, ISPs and other businesses, which create their own branded payment systems.

IPIN essentially provides the infrastructure that enables telcos or other businesses, including the auto maker, to act as a trusted third party in financial transactions when their customers buy something using a credit card, cell phone or RFID tag. Its customers include Vodafone, HSBC, British Telecom and France Telecom.

"RFID is a means to acquire the transaction," says Craig McDonald, iPIN's senior director of strategic partnerships. "We didn't specifically look at what transaction methods might provide the best value proposition to merchants. The value of RFID was brought to our attention by [the auto maker], which is looking to create a physical-world payments network."

IPIN couldn't say when the automaker would begin putting chips in its cars and offer payment services. But McDonald says that other car companies are interested in RFID, and there could be a number of different networks developed over the next few years.

Such payment systems are already proliferating. Mobil's Speedpass is the most successful with 6 million users. Mobil has created a subsidiary, Speedpass Network, to sell its network services to other companies that would like to offer payments through Speedpass.

USA Technologies has RFID-enabled some vending machines. A company called FreedomPay is working with McDonald's and Canteen, the largest vending machine company in the United States. And

then of course, there are numerous toll-payment systems throughout the United States.

iPIN's McDonald believes that over time the networks will have to work with one another. "Merchants only want to install one type of reader to accommodate RFID tags that are issued by a variety of different payment network," he says. "Consumers want to apply for one tag with one account provider. So all of the networks need to be interoperable."

McDonald sees the RFID payment network following the pattern of credit card networks. Pressure from merchants and consumers encouraged card issuers to agree on a standard, so merchants didn't have to have a different reader for every credit card.

The auto companies see a unique opportunity. But they also talked about using Internet technologies to develop value-added services and new revenue streams. Those efforts went nowhere. It's not clear the automakers can get RFID right either.

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