

# Everyday Mobile Payments – Finally A Feasible Reality?

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For the last five years, payments industry analysts have tried to predict the “Year of Mobile Payments,” when many consumers would pay for their purchases using their mobile phones and merchant acceptance of mobile and digital payments would be widespread. While this milestone has yet to be fully achieved, significant progress has been made. When the Boston Fed’s Payment Strategies group conducted its first field test of mobile payment adoption in the Boston area in 2012, we discovered that few consumers and merchants were familiar with mobile payments; and we could only use our mobile phones to pay at a handful of retailers. Today, there are a variety of ways for consumers to make mobile and digital payments, and a broader selection of merchants, including large retail chains and small independent shops, that accept mobile payments in the Greater Boston area as well as other U.S. and global locations. Consumers and retail associates are also generally more aware and knowledgeable of mobile payments.

While not quite ready to leave home without my wallet, I am confident that it is feasible to pay for most daily, and possibly even weekly, purchases using only a mobile phone. This brief details some examples of where consumers can make mobile payments for everyday and occasional purchases. It is based on personal research, observations, and qualitative information.

Mobile options to pay for different modes of transportation have become more prevalent. To pay for gas, drivers can use the Smart Pay app at Cumberland Farms or Apple Pay/Samsung Pay in the Speedpass+ app at Exxon Mobil. Commuters can purchase a commuter rail ticket with the MBTA mTicket app and pay to park at the train station using the PayByPhone app.<sup>1</sup> Similar mobile parking apps (e.g., ParkBoston, Parkmobile and Passport) are available in Boston and nearby towns, including Brookline, Newton and Somerville. Alternatively, travelers can use a ridesharing mobile app, such as Uber or Lyft, or pay a taxi fare using a near field communication (NFC) Pay wallet<sup>2</sup>, as many cabs in Boston and other cities are now equipped with contactless readers.

Many quick service restaurant (QSR) chains and independent eateries are now accepting mobile payments. A variety of mobile ordering and payment apps are available for QSRs, including McDonald’s, Chick-fil-A, Shake Shack, and sweetgreen. In addition to ordering and paying via the app, users can customize and access

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<sup>1</sup> Similar mobile ticketing apps are available for other U.S. transit systems. For more information on transit mobile payments, see Elisa Tavilla, “[Commuting Gets a Little Easier with Transit Mobile Payments](#),” *Federal Reserve Bank of Boston*, May 2016.

<sup>2</sup> Near field communication (NFC) is a standards-based wireless communication technology that allows data to be exchanged between devices that are a few centimeters apart. NFC Pay wallets include Apple Pay, Android Pay, and Samsung Pay, which can be used for in-store payments at merchants equipped with contactless readers.

menu items, nutritional information, loyalty rewards, and promotions.<sup>3</sup> Similarly, the LevelUp app enables users to locate local restaurants that support mobile ordering and payments. Grubhub and UberEats are apps that allow diners to place orders at nearby restaurants and track orders with real-time delivery updates. Many small shops and employee cafeterias have contactless readers that accept NFC Pay wallets, including the Federal Reserve Bank of Boston. Some restaurants support multiple mobile/digital payment solutions. For example, customers can use the Starbucks and Dunkin' Donuts apps to order and pay, earn loyalty rewards, and receive other member perks. When their Starbucks and DDPerks card balances are low, they can reload both via the respective app using Apple Pay, Visa Checkout, PayPal or reload in-store using an NFC Pay wallet.

In addition to transportation and food-related mobile apps, more mobile payments are accepted at grocery, drug, and other retail stores. Many large supermarket chains in the Boston area now have contactless readers that accept NFC Pay wallets, including Roche Brothers, Shaws, Star Market, Trader Joe's, Wegmans, Whole Foods, and BJ's Wholesale Club, as well as smaller grocery stores such as H-Mart in Cambridge and Park n' Shop in Auburn, MA. Some of these grocery stores also offer mobile apps with capabilities that enhance convenience for customers, such as weekly promotions, shopping lists, recipes, and digital loyalty cards and coupons. Even some local specialty shops accept mobile payments – NFC Pay wallets are accepted at Wine Emporium in Boston's Back Bay and Miam Miam Macaronerie in South Boston. On Newbury Street, Georgetown Cupcake customers can earn loyalty rewards for mobile orders and in-store purchases using the bakery's app. Some of the larger merchants accept open mobile payment solutions or offer their own apps – NFC Pay wallets are accepted at Walgreens; CVS Pay at CVS; Walmart Pay at Walmart; and the Target app accepts Apple Pay for in-app purchases that can be picked up at a store location or shipped to the customer.

When shopping for clothing, shoes, accessories and beauty products, a combination of mobile and digital payments can be made at a variety of retailers, in-store and online. For example, Bloomingdale's, Banana Republic, J Crew, l'Occitane, Lululemon, Macy's, and Sephora all have contactless readers that accept NFC Pay wallets. Some of these stores also support digital wallets (e.g., Visa Checkout, Mastercard Masterpass, Apple Pay, PayPal, etc.) for online orders via their mobile websites and apps. Paying with a digital wallet typically requires only a log-in to the digital wallet account and a one-click button to submit an order.

Increasingly, there are opportunities to use mobile and digital payments outside of the Boston area. Whether traveling by plane or train, many passengers, including myself, use mobile boarding passes and tickets that can be stored in a digital wallet (e.g., Apple Wallet, Pass2U Wallet, PassWallet, WalletPasses). Mobile ticketing for admission to tourist landmarks, sports games, concerts, and other events are also more widely available. In New York City, a number of large and small merchants accept mobile payments, and transit riders can purchase LIRR and Metro-North mobile tickets with the MTA eTix app. In Chicago and London, riders can pay for transit fare using NFC Pay wallets – no longer needing to purchase Ventra or Oyster cards. In France, passengers can purchase and present mobile train tickets using the Voyages-SNCF app similar to the Amtrak app in the U.S.

Hotels are adding mobile features as well. Using the Hilton Honors app, hotel guests can book and select their room, check-in, and use Bluetooth to unlock the door. Although it may not be faster to unlock the door with a phone versus a contactless key card, it can be more convenient. For example, while staying at a Hilton Hotel in Chicago, I only had to carry my mobile phone to the gym.

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<sup>3</sup> For more information on loyalty and mobile payment adoption, see Elisa Tavilla, "[Rewarding Loyal Customers to Increase Mobile Payments Adoption](#)," *Federal Reserve Bank of Boston*, April 2017.

In Europe, more merchants have contactless card readers that accept the NFC Pay wallets for purchases, likely because these markets migrated to EMV chip cards several years before the U.S. did, and issuing banks provide dual interface (contact and contactless) cards. Many QSRs also accept mobile payments in other countries. For example, I used Apple Pay at McDonald's restaurants in Bangkok and Phuket, Thailand and in Rome, Italy, and used the Starbucks app at locations in Montreal and London.

The purpose of this brief is to highlight the many ways mobile and digital payments can be used today. It is evident from observations and anecdotes that more consumers are aware of mobile payments and taking advantage of the benefits and conveniences they provide, such as avoiding lines and minimizing wait times with mobile ordering, and replacing cash with mobile to pay for transit fares and parking meters. The number of merchants accepting mobile payments is also growing. More merchants offer mobile apps with loyalty rewards, payment capabilities, and relevant complementary features to attract customers. Retail employees have become more knowledgeable of how to accept and process mobile payments and are doing more to guide customers through the process.

Security may still be a deterrent for some, although more mobile and digital wallets are leveraging tools such as tokenization<sup>4</sup> and biometrics to protect card account data and provide stronger authentication. Ongoing education related to mobile payment security and messaging on general benefits and availability of mobile payment venues can help to increase consumer confidence and encourage them to make mobile payments at some of the many places where they are now accepted. So, while we still need our wallets for some transactions, being able to use mobile payments regularly has become a feasible reality.

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<sup>4</sup> For more information on tokenization, see Marianne Crowe, Susan M. Pandy, Ph.D., David Lott, and Steve Mott, "[Is Payment Tokenization Ready for Primetime?](#)" *Federal Reserve Bank of Boston*, June 11, 2015