

Samsung to launch new mobile payment service in the US

Samsung Pay, the mobile payment service of Samsung Electronics, is to debut in the US on Monday, as the South Korean group looks to diversify its features to revive slowing phone sales.

The world's largest smartphone maker hopes its platform will have an edge of rival services from Apple and Google in the annual \$67bn mobile payment market, as Samsung's technology is designed to work with existing credit card readers.

Samsung rolled out the payment service in its home market last month and the South Korean company said its adoption was 'beyond our expectations' with about \$30m transactions in its first month.

Samsung plans to expand the service to the UK, Spain and China, and is expected to adopt the payment feature to enhance its new low-to-mid-end smartphones next year.

However, analysts remain doubtful of the prospects of Samsung Pay abroad, given the company's relatively late entry market and weaker software ecosystem. Apple is leading the field but even the US company is still struggling to turn the mobile phone into a mainstream method of payment, with



Apple phone users complaining that the service gets rejected at many merchants.

'In the US, Samsung is facing stiff competition by coming late to the mobile payments scene,' said Siyun Zeng, analyst at IHS. 'Apple Pay has established a lead in the US and Google is revamping Google Wallet to Android Pay.'

While Apple has accumulated 800m payment card accounts associated with iTunes, Ms Zeng said Samsung lacks a critical element for its payment service to gain traction. She also cautioned

that Samsung Pay's co-existence with Android Pay, which was launched in the US earlier this month and works with a broader range of Android devices, could create friction as Android users could get confused by the two payment options.

Still, Samsung is hopeful its payment system will become a popular choice, given its compatibility with existing magnetic-strip card readers – Apple Pay and Android Pay require retailers to instal new equipment compatible with their near-field communication technology.

However, such advantage is poised to disappear as a new US standard requires merchants and banks to switch from a card system using magnetic strips towards chips until next month to prevent fraud.

Analysts said that the diversification of services is a meaningful step for Samsung – one that could set its Galaxy smartphones apart from rival devices in the crowded handset market, although the new service will not generate direct revenues for the company.

'Samsung's handset revenue has been declining [since] 2014; investment into software is a step for Samsung to offset [such] loss,' said Ms Zeng. 'Samsung doesn't have to rely on Samsung Pay as its core revenues [maker] but [it is] a means to tie users into the ecosystem.'

The company has been struggling to defend its market share, squeezed between premium maker Apple and lower-cost Chinese rivals such as Huawei and Xiaomi. Samsung's global market share fell from 26.2 per cent a year earlier to 21.9 per cent in the second quarter, according to research group Gartner.

Source: from 'Samsung to launch new mobile payment service in the US', Financial Times, 25/09/15 (Jung-a, S.).

Discussion questions

- 1 What issues is Samsung trying to address?
- 2 Why is Samsung launching Samsung Pay in the USA?