Review: LoopWallet Bests NFC Alternatives, at Least for Now

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The introduction of any new technology is almost always fraught with quirks and rough edges. When VHS and BetaMax first came out, snarled tape and long rewind times were to be expected. When CDs were first released, skipping on the new players was par for the course.

Today, the wireless industry is slowly seeing a variety of strategies on the mobile wallet, each with its own set of glitches and shortcomings. Over the next couple weeks, we’re going to take a look at a few of those mobile payment solutions in action. In this week’s post, we review the just-released LoopWallet, a non-NFC payment solution that is perhaps the most innovative we’ve seen, but also facing an uphill battle when it comes to scale.

LoopWallet

Perhaps the best and most promising part of Loop's approach to mobile payments is the fact that it doesn't require merchants to upgrade their Point-of-Sale (POS) equipment. Loop's fob—a small device about the size of a small matchbox that hooks onto a key ring—actually works with the standard card readers you’d find at most cash registers near you. It's such a novel approach that it makes you wonder why someone didn't think of it sooner, especially as we’ve watched the mobile wallet languish in technology debates over the past few years.

The Loop system works on patented technology called Magnetic Secure Transmission (MST). It basically turns existing mag-stripe readers into contactless payment terminals without any change or cost by the merchants or their payment processors. After ironing out some early issues with my debit card not working, I was impressed by the relative simplicity of the Loop fob.

People working the registers at my local grocery store, and a few other places, have generally been intrigued by the device and have been good sports about trying it out for me. The app allows users to add everything from credit and debit cards to loyalty cards, and everything is protected by a pin to open the app.

To add cards to your Loop account, the fob is plugged into the headphone jack on the phone. From there, you swipe each card through a Square-like mag-stripe reader on the fob, which adds that card’s information to your virtual wallet. Each

card I added took a few swipes, but once the card was processed, everything worked fine.

Perhaps one of the most convenient features of the Loop system is that you can save a default card, which allows you to use that card with the fob detached from the phone. All you have to do is press a button on the side of the fob and place it over the middle of the mag-stripe reader and, voila, you've paid for your purchase.

There were a few places that the fob won't work. I wasn't able to get it to work at the gas station pumps, where you have to insert your card in the terminal, and I didn't get a chance to try the fob at an ATM, which I'm guessing would yield results similar to the fuel pump scenario. In the case of the gas station, you could actually go inside and pay, but then that sort of defeats the purpose of what is supposed to be a convenience.

I also didn't get the chance to send the fob with a server to pay at a restaurant, although Loop has plenty of videos on its website that instruct users on just exactly how to deal with a new technology that might be completely unfamiliar to the person behind the counter.

While Loop's key-fob form factor isn't necessarily the most convenient—you still have to remember to take something in addition to your phone along with you when you leave the house—the company promises a case solution in the coming months. That would be a big improvement for Loop.

Even with Loop on your key ring or wrapped around your phone in the form of a case, you may not be leaving the house entirely unburdened of your plastic for a couple of reasons. The first is that the Loop fob has a battery of its own, as does your phone. Despite our best intentions, batteries die and if you're relying entirely on your phone as a

payment tool, you're out of luck. The second reason is that right now, you're going to run into situations where you simply cannot pay with your phone. In that case, you're either going need cash, or a slim piece of plastic with a magnetic strip. It's worth mentioning, however, that these exceptions are true for any mobile payment solution right now.

NFC Alternative

Jennifer Ni is Loop's chief marketing officer. She's been around the financial services industry for quite some time and knows the challenges involved in mobile payments.

"I know how hard it is to overcome making mobile wallet a viable technology for consumers," Ni said, pointing out that the major downfall for NFC has been the slow retooling of the POS infrastructure in the United States.

"It's the merchant adoption that's really hard for [NFC-based solutions] to overcome," Ni said, claiming that only a fraction of merchants in this country are currently equipped to accept payments via NFC.

While that might be true now, that number is expected to grow quickly. Berg Insights forecasts that NFC POS systems will grow at a CAGR of 46.1 percent, going from 6.7 million units in 2012 to 44.6 million units by 2017. In fact, by 2017, 82 percent of POS terminal in North America are expected to accept NFC payments. NFC-style payments are also backed by some of the world's largest corporations, including credit card companies like Visa and Mastercard, as well as major carriers like T-Mobile, AT&T and Verizon, which teamed up to launch the ISIS joint venture.

The fact is that the NFC-capable POS infrastructure will be deployed eventually, regardless of whether it's the best technology. Loop will still work with those NFC terminals, assuming they still have a place to slide a card with a magnetic strip, but a technology like Loop, as truly innovative as it is, is ultimately at the fate of where the big money pushes scale and adoption. Right now, the current is in favor of the carriers, banks and credit providers. ISIS is a potential revenue stream for carriers. Meanwhile, major ISIS partners Visa and Mastercard have revealed plans [1] to take NFC payment information off the device—and subsequently out of the hands of the carriers'—and onto their servers, essentially cutting out the operator as middleman. This kind of fight for any cut of the billions of daily payment transactions is what will ultimately drive adoption of phone-based payments [2].

It remains to be seen how this all plays out, but at least for now, Loop is, in my opinion, the best, most widely-accepted solution for paying with your phone.

The LoopWallet app is now available at the Apple App Store, with an Android version planned for release in April 2014. The Loop fob is available online for $39, the first of many accessories that the company says are on the way.

Stay tuned for our next look at the mobile payments space when we review Incipio's CashWrap NFC-capable case for the iPhone.

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