



Walmart Pay: So good or so what?

By Mike Cetera
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The country's largest retailer rolled out its mobile payments service nationally this week, allowing any customer with a smartphone to pay at checkout without using a physical credit or debit card.

In announcing that the service is now available at more than 4,600 Wal-Mart stores nationwide, the company touted the convenience of paying with a smartphone, but perhaps relegated Walmart Pay's key consumer feature -- security -- to a bullet point in the press release.

"Mobile payment systems are inherently more secure than pure credit card transactions," David King, senior manager in the internal audit, risk and compliance practice at professional services firm UHY Advisors in Atlanta, wrote in an email. "However, the adoption of mobile payment systems is entirely reliant upon the customer experience."

This is a failing of Walmart Pay, which isn't as easy to use in-store as either a credit card or the rival payment service Apple Pay, King says.

"Credit cards are incredibly easy to use; you simply dip or swipe," King says. "Apple Pay is almost as easy, but requires some practice. Walmart Pay is the least intuitive because you have to trigger an app and complete a scan through a barcode reader."

Why security matters

Wal-Mart says credit and debit card numbers are not stored on a customer's phone or exchanged during the transaction. That makes in-store fraud far less likely -- unless a fraudster has both someone's phone and the required payment passcode.

But, unlike other mobile payment services, Wal-Mart does store credit and debit card data on its computer servers, albeit behind a firewall.

"We are really proud about the security of Walmart Pay," says company spokesman Molly Blakeman.

Still, given Wal-Mart's fight with Visa over the security of chip-and-signature debit card transactions, it's a bit odd the company doesn't make security more of a selling point.

How it works

Just as I did after Apple Pay debuted, I gave Walmart Pay a test drive. There are several key differences between the platforms, the biggest of which is you can't use Apple Pay at Wal-Mart, and you can't use Walmart Pay anywhere except Wal-Mart.

Here's how Walmart Pay works:

Setup is a bit cumbersome, as the payment service is embedded within the Wal-Mart app. You'll have to download that first, if you don't already have it on your phone.

When launching the app for the first time, you'll be asked to sign up, adding a username and password and other information.

Once you launch the app, find the Walmart Pay icon inside, where you can add credit or debit cards. Wal-Mart says it accepts "any" credit, debit or prepaid card, along with store-branded gift cards. Apple Pay allows you to take a picture of your credit card to add it to the wallet; no such luck for Walmart Pay, which requires you to manually input your information.

At checkout, launch the app and choose Walmart Pay inside the app before paying. Apple Pay automatically recognizes when you're near a register that accepts mobile payments.

To pay, aim the phone's camera at a QR code displayed on the register (this looks a bit like a bar code).

The phone scans the code and completes the transaction after you type in your 4-digit passcode or touch the fingerprint ID sensor on your phone, if that's an available feature.

Is it worth it?

Despite the obstacles, I found Walmart Pay relatively easy to use. And my receipt was instantly available within the app, something Apple Pay does not offer.

But I left the experience feeling the same way I felt after using Apple Pay: This is a solution without a clearly defined problem -- especially if Wal-Mart and others can't convince Americans on the security issue. Consumers may love their smartphones, but they've found no compelling reason to abandon their wallets for them.

Yes, in-store mobile payments are expected to surpass \$34 billion by 2019, according to consulting firm Forrester Research. That's huge growth compared to the \$10 billion projection for this year.

But annual retail sales are not measured in billions of dollars; they're measured in trillions of dollars.

In 2016, U.S. retail sales are expected to approach \$5 trillion, according to research firm eMarketer.

So there's no danger the smartphone will replace the credit card anytime soon.