

Wireless Carriers Unveil Isis, Their Mobile Payments Joint Venture

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In a move the payments industry had expected since early August, the nation's largest wireless carriers on Tuesday announced they had formed a joint venture to run a point-of-sale mobile-payments network. The new company, known as Isis, will be headed by Michael Abbott, formerly an executive with GE Capital's proprietary card unit, which operates store-card programs for retailers.

The backers of Isis are AT&T Mobility, Verizon Wireless, and T-Mobile USA, which together account for more than 200 million mobile-phone subscribers. Isis transactions will flow over the Discover Financial Services network, and Barclaycard U.S. will manage Isis accounts.

The announcement made official what observers have been expecting ever since news of the joint venture leaked out this summer, revealing developments that had apparently been in the works for months. The major carriers have long been frustrated by the years-long stalemate they've been locked in with Visa Inc. and MasterCard Inc. over the creation of a POS-based mobile-payments system in the U.S., and their joint venture has been seen as a way of breaking into payments by bypassing the card networks.

Still, Tuesday's release was short of many details. For example, the carriers said they will introduce Isis, which will rely on near-field communication (NFC) technology to let consumers wave and pay for items in stores, in a number of locations over the next year and a half, but did not say where or give a more specific timetable. NFC is an interactive, short-range protocol that allows mobile phones to make contactless transactions.

Similarly, carrier executives are mum on which merchants, if any, have been signed up for Isis and what fees the new network will levy, a critical issue at a time when merchants are hotly protesting card fees. "It's an announcement that we're open for business," Ryan Hughes, vice president of new business development at Verizon Wireless, tells Digital Transactions News about Tuesday's announcement.

What is clear, however, is that Isis will be a new, proprietary network with its own branded transactions and wallets, perhaps the most ambitious such venture since Discover itself emerged 25 years ago. While the new venture will ultimately expand beyond its current lineup of carriers and recruit more banks, and its wallet will support credit, debit, and prepaid transactions, consumers will be issued Isis accounts, Hughes says.

Isis starts out with some significant advantages, not the least of which are the tens of million of consumer accounts claimed by its telecom owners and the merchant reach built up by Discover's network, which with 7 million locations now nearly rivals those of Visa and MasterCard. But the new company will still need to induce merchants to accept Isis, most especially the big-box chains that can help build volumes quickly. Here, the appointment of Abbott as chief executive of Isis may prove shrewd, given his experience at GE Capital in working with merchant card programs,

observers say. "He has relationships with the very largest retailers," says Todd Ablowitz, president of Double Diamond Group, a consulting firm in Centennial, Colo.

Those relationships may be tested in the weeks to come. Sources have told Digital Transactions News that the venture's merchant-fee structure has so far struck merchants as offering little or no advantage over the rates they pay for Visa and MasterCard transactions. "For the carriers to be tone deaf [to merchant fees] was a shocking miss," says Ablowitz. "I'd expect [Abbott] to understand that. I'd expect somebody with his moxie to get the strategy right."

But Hughes says the Isis wallet will offer more than mobile payments, including non-payment media such as coupons, tickets, and digital receipts. He argues the new network's pricing will ultimately reflect the value inherent in this offering. "We're not announcing deals or business terms," he says. "But looking at the business proposition we're bringing to merchants, the merchant is going to see a new type of shopping experience, and the conversation is very much beyond payment."

For its part, Visa appears to be taking the carriers' announcement in stride. "We're sizing it up," says Bill Gajda, head of mobile innovation at the network. "There's not enough detail to say it's directly competitive [but] it demonstrates the momentum that's developing around mobile payments." Visa highlighted some of that momentum with its own announcement Tuesday that U.S. Bank will deploy a solution developed by Visa and DeviceFidelity Inc. that allows consumers to give their handsets NFC capability by inserting a micro SD card. So far, Bank of America Corp., JPMorgan Chase & Co., and Wells Fargo & Co., as well as U.S. Bank, have agreed to pilot the solution, which Gajda says will be commercially available to all Visa banks by next June.