



LG Pay brings more questions than answers



Last week brought with it yet another announcement about a new mobile wallet launching in the U.S.

LG Electronics plans to launch its mobile wallet service — LG Pay — in the U.S. by July 1, almost a year after the system first debuted in South Korea. The announcement completed the trifecta of major smartphone providers in the U.S. with their own mobile wallet services. LG ranks behind Apple and Samsung for smartphone penetration in the U.S.

The pending arrival of another mobile wallet in the U.S. raises some questions about how a new entrant can succeed among a growing number of options in the market.

"The mobile payment platform is table stakes now. Everyone has to have it," Amitaabh Malhotra, chief marketing officer at Omnyway and a long-time mobile payments executive and observer, told Mobile Payments Today in an interview. "The part that I'm more keen to understand is how do you differentiate from Samsung Pay; how do you differentiate from Apple Pay. What is the additional value that LG Pay is adding in the ecosystem of payment options."

But not much is known about LG's plans for the mobile wallet in the U.S. The company did not respond to an inquiry from Mobile Payments Today.

What we do know at this point is that LG first launched LG Pay in South Korea last year with the support of four banks in the country.

How it works

LG Pay uses a technology called Wireless Magnetic Communication that works in a similar way to Samsung Pay's Magnetic Secure Transmission. That technology enables users to make mobile payments at point-of-sale terminals that lack contactless functionality.

While LG Pay does have support from some major banks in South Korea, not every payment card in the country is eligible for the mobile wallet. When the news broke last week of LG Pay's arrival here, LG gave no indication which U.S. banks would support the system.

Like the other Pays before it in the U.S., LG Pay's success or failure could hinge on bank and merchant partnerships.

"That could be the make-or-break for LG," Malhotra said about potential partnerships. "If LG can figure out an interesting use case that pertains to their end user, that can help. It could be some specific retail partnership, or an IoT partnership, or a smart card partnership

"If any of these partnerships are put in place, that kind of gives them the edge over what others are doing. There would be some value there, otherwise [LG Pay] is just a 'me too' offering."

LG Pay will already be at a disadvantage on its own phones in the U.S. because consumers already can use Android Pay on eligible devices. That's the same dilemma Samsung — LG's primary competitor in South Korea — ran into when it launched Samsung Pay in March 2015.

But since the launch, Samsung Pay has differentiated itself from the other Pays on the market.

Samsung Pay still is the only mobile wallet system in the U.S. that features a credit card-style rewards program in Samsung Rewards.

Trending

One trend working for (and against) LG Pay is that financial institutions do see mobile payments as one of many priorities in 2018.

A recent **study from the Boston Fed** found that "implementation of mobile payment services is accelerating as FIs respond to competitive pressure and industry momentum for mobile payments."

Of the 706 financial institutions that the Boston Fed surveyed, 24 percent already offered mobile payments and 40 percent planned to do so within two years.

Over two-thirds of the respondents partnered or planned to partner with third-party processors, and more than half were considering partnerships with wallet providers that support NFC.

Of course, that also helps to put more competition in the market for LG Pay and potentially confuse consumers in the process.

The Boston Fed study cited executives' concern about the market immaturity and fragmentation as barriers to consumer adoption of mobile payments.

Some 45 percent of the 450 executives that answered this particular question cited market immaturity and fragmentation as a "high" barrier to adoption, second to only the well-known security concern.

Malhotra said providers could increase adoption by focusing more on the overall customer experience rather than the payments aspect of mobile wallets.

"I think that's where you start looking at what the retail industry has been doing," he said. "The focus is less on the payment and more about integrating the checkout experience with their loyalty and coupons."

Malhotra's Omnyway helped do this for Kohl's with Kohl's Pay, but he also pointed to other examples such as similar systems from CVS, Target and Walmart.

"In those cases, the affinity is to the large retailer and to the program and the benefits that come to that customer based on the programs," he said.

Whether the likes of LG Pay can replicate that approach will be something to monitor in 2018 for mobile payments.

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Topics: Contactless / NFC, Handsets / Devices, Mobile/Digital Wallet, POS, Restaurants, Retail, Trends / Statistics

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