

# Tracking Apple Pay: New Devices & Payments Services



Apple Pay /  
Apple Watch



iPhone 6  
6 Plus



iPad Air 2



iOS 8

## Apple Pay: Overview

Scope and Timing	Apple's Motivation and Value Proposition	Payments Accounts	Completing Transactions	Data and Security
<ul style="list-style-type: none"> <li>In-Store payments</li> <li>Streamlined online payments</li> <li>Available on iPhone 6, 6 Plus, iPad Air 2, and Apple Watch (early 2015)</li> <li>US-Only</li> <li>Launched October 20</li> </ul>	<ul style="list-style-type: none"> <li>Replace physical wallet: "Your wallet. Without the wallet."</li> <li>Payments will be faster, more secure, and private</li> <li>Apple share of U.S. smartphone market &gt;40%</li> <li>~5-10% NFC terminal enablement (U.S.)</li> </ul>	<ul style="list-style-type: none"> <li>Add: from iTunes account or take a picture of a card</li> <li>Store: token stored on secure element (no card # on device)</li> <li>Use: Passbook app is user interface; general purpose credit and debit cards</li> </ul>	<ul style="list-style-type: none"> <li>In-Store: Contactless NFC-based physical payments with Touch ID authentication</li> <li>In-App: Integrated via the Apple Pay API with Touch ID authentication</li> </ul>	<ul style="list-style-type: none"> <li>Data stays with merchant and bank (<u>not</u> Apple)</li> <li>Merchants process tokens, not the card #</li> <li>Payments service can be remotely disabled</li> </ul>

## Announced Participants:

Networks					
Banks / Issuers	Launched October 20 Coming Soon 2014 & early 2015 500+ Issuers Coming in 2015				
Merchants	<b>In-Store October 20</b>	Aéropostale American Eagle Outfitters Babies"R"Us BJ's Wholesale Club Bloomingdale's Champs Sports Chevron Disney Store	Duane Reade ExtraMile Foot Locker Footaction House of Hoops by Foot Locker Kids Foot Locker Lady Foot Locker Macy's	McDonald's Nike Office Depot Panera Bread Petco RadioShack RUN by Foot Locker SIX:02	Sports Authority SUBWAY Texaco Toys"R"Us Unleashed by Petco Walgreens Wegmans Whole Foods Market
	<b>In-Store 2014</b>	Anthropologie Free People	Sephora Staples	Urban Outfitters	Walt Disney Parks and Resorts
	<b>In-App October 20</b>	Apple Store app Chairish Fancy Groupon	HotelTonight Houzz Instacart Lyft	OpenTable Panera Bread Spring	Staples Target Uber
	<b>In-App 2014</b>	Airbnb Disney Store Eventbrite	JackThreads Levi's® Stadium by VenueNext	Sephora Starbucks StubHub	Ticketmaster Tickets.com

## Apple Pay: Whats to Come

- Loyalty and Offers:** Will Apple allow third-party integration? Will these be included in the next release?
- Technology:** How is the Apple Watch integrated? Will Apple use other mobile payment technology (e.g., iBeacons)?
- Other Partners:** Will MCX merchants be involved? How will Apple add small to medium-sized merchants?

## Initial Perspectives

Apple, not surprisingly, has focused more on the basic customer experience and features of the Apple Pay service, mentioning that they believe this will be the key differentiator in their mobile payment initiative (e.g., they have included an "Apple Pay Human Interface Guidelines" document as part of app developer information).

With this launch Apple has ability to drive more attention and adoption for mobile payments. Apple Pay is a very significant event for the payments industry and could be the long awaited launch point for broad mobile payment adoption.

For more perspective on these questions and others, please contact:

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Source: Apple.com, Apple's 9/9 & 10/16 announcements, and First Annapolis Consulting research.

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