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MySmallBusiness

Cashing in on a payment revolution

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Get York Coffee used to refuse credit cards because they took too long to process. Now it's trialling taking small payments by smartphone. *Photo: Brendan Esposito*

When it comes to collecting money from customers, cafes have traditionally been low-tech – a couple of gold coins for a coffee, maybe a card payment for a bigger order.

But Shawn Karakashian, of Get York Coffee in Sydney's CBD, is at the forefront of a revolution that is changing the way small businesses take payments and keep track of their customers.

Karakashian is trialling the PayPal Here service, a smartphone application and small triangular card reader that fits onto the top of a phone to allow it to take credit card payments. It lets small businesses take payments on their smartphones wherever they are, and is one of several similar services being offered by major banks such as Westpac.

Julian Josem, of retail specialist Josem Consulting, says consumers are increasingly demanding a wider range of payment options, especially mobile. Mobile payments "are an emerging scene, but I believe it will be huge because of the convenience aspect, both to the merchant and the consumer", he says.

Get York Coffee used to refuse to take credit card and eftpos payments because of the time they took the server to process. Now Karakashian and his business partner each use the PayPal service on their iPhones because Karakashian says it's much more convenient. They swipe the credit card, enter the amount, then hand over the phone for the customer to sign.

It means they don't have to turn away business because a customer doesn't have cash and can accept credit card payments for payments as small as a coffee or for catering orders, rather than having to invoice corporate customers. "The response from customers has been awesome; everyone wants to have a turn," says Karakashian.

The café also uses the PayPal check-in feature, which allows customers to pay with their mobile phones. Customers "check in" to the café with their smartphone and Karakashian can then charge them through PayPal, using a photo of the customer that comes up on his screen to verify that he has the correct customer.

"No cards, no money, no nothing. It just goes straight from their PayPal account into my PayPal account," says Karakashian. "My business partner and I are really enjoying it, because it's an added aspect to our business that we didn't have, and it's so much easier."

Karakashian was lucky to be in the right place at the right time for the trial, as his café is in the same building as PayPal's Australian headquarters.

Banks and finance companies are also trialling mobile payments systems. Westpac is the latest to enter the market, with a trial of its Mobile PayWay system, an iPhone app that allows small businesses to take credit card payments on their phone, and unlike the PayPal system, doesn't require a card reader.

To use the app, business owners enter the amount owed and their own reference into the phone, then give it to the customer to enter their credit card details. The payment is processed, then the app emails a receipt.

"Mobile PayWay is designed for small businesses and sole traders, particularly those businesses providing services on the go," says Axel Boye-Moller, Westpac's head of mortgages, cards and merchants. "We think this is a great way for tradespeople to accept payments. Other examples include mobile hairdressers and personal trainers."

The app is the latest development in the trend towards mobile banking, for businesses and in particular consumers.

"We are also seeing exponential uptake of mobile banking with Westpac now having more than 1 million active mobile customers and about 32 per cent of logins into Westpac Online coming via mobile," says Boye-Moller. "Mobile banking active customers have increased by over 90 per cent in the last 12 months."


Australian financial services company Flexigroup has just launched a similar service, called Paymate OnTheGo which turns a smartphone into a credit card reader. Like other systems, customers' credit card details are not stored on the phone.

"We are at the cusp of a revolution in how small businesses get paid for goods and services. Fast and regular cash flow is the lifeline of small business, the credit card details are processed on the spot and payment is made directly into the business' bank account," says FlexiGroup chief executive John Delano.

The three mobile payment systems all charge similar fees to businesses. PayPal Here charges merchants 2.4 per cent of the transaction plus 30 cents for swipe transactions, and 2.9 per cent plus 30 cents for manual key-in and scanned transactions. Flexigroup charges \$19.95 to buy the swiper, then 2.25 per cent plus 50 cents per transaction. Westpac charges 2.75 per cent.

The revolution in online payments is set to gather more pace, with PayPal planning to introduce more services to Australia in the coming months, such as allowing customers to buy things using by entering their mobile phone number and pin number at a shop.

"The technology in itself is not really that useful to consumers. It's about what the experience is and the value proposition that retailers can create," says Andrew Rechtman, director of product strategy and new ventures at PayPal Australia.

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