Micropayment

Micropayment is a transaction involving a very small monetary amount which is mainly used in Business to Consumer/B2C business via Internet. The term micropayment applies to transactions between 0,01 Euro and 10 Euro; payment involving bigger amounts are referred to as macropayments (>1.000 Euro) or mediumpayments (>10 Euro) and are also used in Business to Business/B2B (especially macropayments). 1) Other sources define micropayment in the area from 0,05 € to 5 €. 2)

With the quick development of E-Commerce, online marketplaces and auction sites, online gaming, etc. there is a more need for simple and inexpensive payment methods, also for small sums of money. Micropayments can be used in area of “paid content” such as online press distribution (online papers, archives), music, videoloads, virtual games as well as software downloads, and also stamps, tickets and more. 3)

Advantages and risks

With a micropayment system many small transactions are summarised over a defined period of time and charged in one bill. For that reason micropayments are applicable for businesses where even small costs for every single transaction would be inefficient. 4) The main benefits from the customer site in using micropayment are speed and flexibility. From the merchants’ site speed and acceptable transaction fees are very important. As the transactions involve small capital security does not have the highest priority. Much more important than trust is security. User and merchants are more likely to use an insecure payment system from a trusted company than a secure payment system from an untrusted (unknown) company. Therefore the market entry barriers for new providers are high. Any company that wishes to enter this area must have plenty of capital and be willing to invest a lot before return on investment as it is extremely difficult for new payment systems to achieve widespread acceptance. 5)

Payment options

Micropayment providers offer various payment modules. Merchants need to sign up for an account with a chosen provider and decide for a module that suits their needs. The customer gets an option (or options) how to pay for desired content or goods.

The most common micropayment options are listed below. 6)

Call2pay

Payment by telephone. The customer is requested to call a toll number. The fee is set on a per-call basis for the desired payment amount.

Handypay

Payment via mobile phone bill. The customer enters his or her cell phone number and receives an
SMS with a TAN in order to confirm payment.

**Ebank2pay**

Payment using online banking. The customer transfers the payment amount his or her online banking access and a TAN. After making payment, the customer receives access to the purchased product.

**Credit card**

Payment per credit card. The customer enters his credit card data and confirms the transaction. The transactions can be optionally carried out with the 3-D Secure™ method (verified by VISA™ and Mastercard SecureCode™).

**Direct debit**

Payment by direct debit. The customer enters his or her bank ID and account number and confirms the direct debit authorization.

**Micropayment providers**

Following companies offer micropayments in their product portfolio:

- ClickandBuy
- Micropayment
- PayPal
- T-Pay at Deutsche Telekom
- Zong

**Reference to Glossary**

- paypal

**Social micropayment**

*Social micropayment* is a specific form of micropayment based on the idea of microdonation. Users are able to donate small amounts of money to the authors of contents they like through a simple click while visiting their favourite sites (f.e. blogs, photoblogs, artblogs, etc.)

**Social micropayment providers**

To donate social payments to the favourite authors user may use following providers:

- Flattr
- Kachingle
• Video “Flattr micropayment - how it works?” http://www.youtube.com/watch?v=0N4_bpnOEmQ


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