Wechat pay users in china

Chinese giants Alibaba and Tencent pioneered payments from digital merchants and pushed back the shift in money in the Chinese economy, where they now account for 90 percent of the $17 trillion mobile payments market. Companies see digital payments not as a goal in themselves, but as a point of entry into a vast ecosystem of offline and online goods and services —and are using the data generated to transform financial services as well as the physical retail sector. This rapid change was made possible by the country's extensive ownership of bank accounts and smartphones, but still has clear lessons for providers in less advanced markets. An estimated 890 million unique mobile payment users from China made transactions totaling about $17 trillion in 2017 -- more than double the 2016 figure. The number of people making payments from mobile merchants is expected to rise to 577 million in 2019 and to nearly 700 million by 2022. Digital payments are becoming so dominant that the People's Bank of China has had to ban what it sees as discrimination against money by merchants who accept only digital payments. This is even more remarkable because just two decades ago, China was basically a cash economy. Ma Qin, 65, sells handicrafts in Dali City, China. Photo: Sudipto Das, 2015 CGAP Photo ContestIn many ways, this success is thanks to two Chinese technological juggernauts whose brands now reverberate around the world: e-commerce giant Alibaba and gaming company Tencent, with its social media platform WeChat. Alibaba began in 1999 as a business e-commerce platform for companies that required users to pay through their bank accounts. One of the challenges he faced in this early e-commerce market was the lack of confidence in online transactions between strangers. To solve this problem and generate higher volumes on its platform, in 2003 the company introduced Alipay —a custody-based online digital payment solution where Alibaba kept the money until the buyer signed the goods. In 2008, Alipay officially introduced its mobile e-wallet and launched Alipay's untheoretical growth. Although Alipay took five years to reach 100 million customers before 2008, it added 20 million new users in the first two months of 2009. Today, it has 700 million unique users. Tencent, on the other hand, entered the payment space from a different angle. Founded in 1998, it quickly became China's leading player in online messaging through its qq blockbuster chat product. Based on this success, the company has focused on online gaming —a space that relies heavily on online chat. Today, Tencent is one of the largest gaming companies in the world. To support this business, it introduced the payments brand Tenpay in 2005. The social aspect of its business model remained central to Tencent's business, and in 2011, it launched WeChat, a smartphone-based social messaging app that has become even more popular than QQ. In 2013, he joined Tenpay on WeChat, creating WeChat WeChat Payment product embedded in WeChat that allows users to send money to each other directly through the messaging platform. These two mobile payment products quickly reshaped China's payment spree. With monthly active users of more than 500 million (Alipay) and 900 million (WeChat Pay), they have created an extremely valuable mobile payments market that they completely dominate (93% of the mobile payments segment is controlled by both). More than 20 million users shop every day through WeChat Pay, and 200,000 people sign up for the service every day. Much of this growth occurred on the back of the Rapid Response (QR) codes, which were invented in Japan in 1994 but never gained traction until they took off in China. WeChat Pay and Alipay introduced proprietary versions of QR codes in 2011, and in 2016, more than $1.65 trillion in transactions used the codes. Recent figures suggest that the vast majority of $5.5 trillion mobile payments made in a year were handled via QR code in The Alipay WeChat apps. Source: FTBoth companies have since taken advantage of the massive absorption of their app-based online payment sums to successfully advance merchant payments. About a third of consumer payments in China are now cashless, and three-quarters of Chinese smartphone users made a mobile point-of-sale purchase in 2017 (compared to a quarter of American users). This is almost exclusively thanks to AliPay and WeChatPay. How did they do that? Let's go into details. Merchant payments in China: Key features Two key enablement factors in China have made it ripe for a digital payments and retail revolution. The first are high levels of ownership of bank accounts (79%, which served as the basis for the financing of mobile wallets. Alipay and WeChat Pay were able to walk into existing financial infrastructure in the form of bank accounts and bank cards and clearing and settlement systems. In fact, both companies are classified as third-party payment companies, which highlights their reliance on an underlying bank account. The second is the broad ownership of smartphones, which went from 29% in 2013 to 71% in 2016 (Findex 2014; BTCA 2017). Smartphones combined with bank accounts have allowed users to easily link their accounts to their phones through an app. In this environment, Alipay and WeChat have made smart choices to boost portfolio usage. More importantly, they have created a strong customer value proposition by deploying payments not as an end in itself, but as a gateway to a vast digital ecosystem of products and services. Alipay and WeChat Pay link users' wallets directly to in-app retail platforms that also include such as investment and insurance products, e-commerce services, and convenient solutions for paying bills. Its apps link users' bank cards to a smartphone app, which in turn allows for an endless list of offline and online consumer services and bill payments —from taxi and supermarket delivery to up to and credit card payments, to book wedding venues and invest in financial products. More than 1 million restaurants, 40,000 supermarkets and convenience stores, 1 million taxis and 300 hospitals are connected to the Alipay app. Among many other benefits of this approach, seamlessly integrating orders and payments helps you avoid having to compete with money. Considering that for a transaction in the store as the purchase of a pizza, the choice between cash and mobile payments is not evident, when requesting this new approach, the payment is already made at the time of delivery of the pizza. Although money on delivery is theoretically also possible, it is a clumsy option. To boost funding, companies have also created easy boarding for customers and merchants. Customers sign up through the app, and sellers can start accepting digital payments by sharing their individual QR code even before they register as merchants. This first step reduces the bar for testing digital payments in the business and has helped many make the transition. Initial documentation requirements are minimal: new customers must link their payment wallet to an existing card or bank account, allowing mobile payment providers to leverage existing due diligence information (CDD) for that bank account. As merchant volumes increase, providers typically ask for additional information to deepen their CDD. To encourage wide absorption and volume of units, both companies have taken a relatively light approach to transaction fees so as not to create the kind of prices or behavioral barriers that can be a significant challenge. If the merchant's monthly transaction volume is less than a certain limit, Alipay and WeChat Pay refund the commission, while merchants trading above the limit pay between 0.6% and 1% of the transaction amount. This ensures that small businesses can use the service virtually for free, while creating revenue from fees from companies that use the service a lot. As person-to-person payments, merchant payments are free for end customers, although customers must pay a 0.1% fee when they withdraw amounts above a limit ($153 for WeChat and $2,897 for AliPay) from their eWallets. This rate structure is designed less to generate revenue than encouraging users to leave funds in the wallet and spend them within the ecosystem. Part of the reason the Chinese mobile payment giants keep transaction fees relatively low is that they recognize the cross-selling opportunity that comes from other parts of their digital ecosystem. As customers start using their digital wallets as their payment instrument of choice for daily purchases, they also get much more likely to buy any of the other products and services embedded in the portfolio. About 640 million people use more than one product category in this ecosystem, and 190 million use five or more. These cross-selling opportunities can be significant. To Stop Alibaba's Yu'E Bao became the world's largest money market fund in just four years, with $233 billion under management, representing 25 percent of China's money market industry. Another reason Why Alibaba and WeChat keep rates low is that they both recognize the value of the data they have access to and the insights they generate about the preferences of individual customers and specific segments. These insights can be used to refine sales and marketing of existing products and stimulate the creation of entirely new products, including merchant credit and other subscribed financial services based on payments and other data collected through the ecosystem. These types of VAS can be powerful digital payment accelerators, attracting merchants to the platform and generating revenue outside of transaction fees. The generated data can also be used in other ways. Notably, they are a central facilitator of the fundamental transformation of retail trade that Alibaba founder Jack Ma has labeled New Retail. This shift to New Retail relies on data not only to provide better and better services to merchants, but to reinvent logistics systems that provide goods for both merchants and end consumers, and to create much faster, interactive product development processes tailored to customer preferences than traditional methods. For more on this, see New Retail Revolution. A street vendor in China spends time with his cell phone. Photo: Elpidio Juan, 2015 CGAP Photo ContestCompanies have also taken an experienced approach to boost consumer excitement. In 2014, WeChat Pay created a digital version of the traditional red envelope gift exchange to boost acceptance of the payment mechanism. These have become an instant success with consumers and have contributed to the rapid growth of the service. Similar products are now available on all major payment platforms in China. Another customer incentive is loyalty rewards, to which Alipay executives give significant credit for boosting absorption and volumes. This year, Alipay is offering subsidies totaling 500 million yuan ($73.6 million) for a hongbao (red envelope) campaign to reward customer loyalty. A few years ago, a similar campaign featured incentives such as bus rides, discounts and even gold. In 2017, Alipay booked 1 billion yuan ($160 million) in cash-back incentives for purchases made through Alipay for shoppers to use the service more often. While Alibaba and Tencent initially offered generous incentives to make traders irrais, ultimately the rapid change in customer preferences boosted absorption. Finally, the choice of codes as the main acceptance technology has enabled rapid escalation and widespread acceptance of digital payments. As discussed in Distribution, QR codes have many advantages —they are cheap and easy for customers and merchants to adopt. Alipay and WeChat Pay tested several technologies, including nearby field communication, before choosing to use QR QR as well as dynamic). In addition, the People's Bank of China announced that it intended to regulate QR codes to improve security, and is creating an online settlement platform, called Wanglian, for non-banking institutions. These moves, combined with a global trend towards standardized QR codes, suggest that mobile payments may soon be interoperable in China. Takeaways The Chinese experience illustrates how quickly digital merchant payments can be scaled if providers get it right. Switching in just a few years from an almost entirely cash-based retail economy to one where the regulator needs to remind companies that they also need to accept money is nothing short of surprising. The money in circulation relative to gross domestic product fell 13% in just four years (2012-2016), and mobile payment volumes are now 50 times higher than those in the United States. To be sure, this change was made possible by a number of contextual factors that mobile payment providers in most other developing countries could only expect: a high level

of bank account ownership, smartphone penetration, mobile internet access, and financial and real literacy. Without these factors, it is difficult to see payments from digital merchants growing as rapidly as in China. To learn more about how these contextual factors laid the groundwork for mobile payments in China, see China's Alipay and WeChat Pay: Reaching rural users. Providers in other markets can learn from what Chinese providers have done correctly, including: Developing a compelling value proposition, offering a wide range of useful services to customers and merchants —and continually expanding and deepening access to the digital ecosystem through the payment portfolio. Reduce friction on boarding by allowing self-enrollment of customers and merchants, increasing the level of know-your-customer standards only as it becomes necessary, and allowing merchants to instantly configure themselves through the in-app QR code. Reduce transaction friction using highly responsive QR codes and interfaces by setting initial transaction fees to zero for new traders and increasing them to modest levels only as volumes increase. Take advantage of loyalty rewards to divert money incentives and encourage a viral absorption of digital payments through a sense of fun and anticipation around opening your virtual rewards bonus. Have a long and holistic view of profitability, treating payments as an indirect revenue driver today and a facilitator of even more attractive offerings in the future, including positioning the company for the next retail transformation. These are things that mobile money providers and other current or potential in the payment space of merchants in developing economies may implement, albeit in different ways, depending on the circumstances. And they can actually have some advantages of their own; for example, they have a market without the existing absorption of bank accounts and payment cards where digital digital wallet providers less competition for the mass market and can have customer relationship just for them. Some providers will regret the challenge of doing this with a user base that still relies heavily on feature phones. While this clearly has limitations, providers should focus on the many things above that they can do even on basic phones —and on having attractive apps available especially to many merchants who have smartphones. The rapid growth in smartphone access around the world, including in sub-Saharan Africa, where the GSMA predicts that smartphone use will double to 68% of mobile users by 2025, will allow for faster, more intuitive and interactive interfaces. It is worth noting that, even in China, the mobile payments revolution is far from complete. It is important to note that rural China has not yet adhered to digital transformation. A 2016 study found that 46% of respondents in rural northwest China had a smartphone, but that only 11% of respondents had tried mobile financial services. While these numbers are improving, Alipay and WeChat Pay will need to adapt their approaches if they are to succeed in rural areas. That said, Findex shows that the share of people in rural areas of China who have used digital payments in the last year (64%) is reaching cities, although urban dwellers still transatom significantly more often. For more information on mobile payments in rural China, see China's Alipay and WeChat Pay: Reaching rural users. Users.

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