

In China, currency transactions decline as consumers prefer third-party payments via their smartphones

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It seems that cash could soon be obsolete across China as third-party mobile payments become the norm. From street peddlers to retail outlets, mobile payments already are the preferred method of payment for both seller and buyer.

China makes up 25 percent of the world's online population and continues to grow by more than 44 million Internet users every year, said Nicolas Chu, CEO and cofounder of Sinorbis, an organization that helps a wide range of industries sell their products to Chinese digital consumers.

He noted that the annual disposable income of a middle-class Chinese family has grown from 9,000 yuan (\$1,400) in 2005 to more than 30,000 yuan.

"China now has as many digital natives as the United States has total Internet users."

eMarketer's latest mobile payment forecast estimates that 76.3 percent of smartphone users in China use these devices to pay for goods and services.

The global digital marketing and research group said China is fast moving toward a cashless society as the benefits of using mobile devices to pay offline start to spread from the cities to rural areas.

About 527 million of the online payment users relied on smartphones to close deals last year, according to a report from the China Internet Network Information Center (CNNIC) in January.

China's online population hit 772 million at the end of 2017, up 5.6 percent from 2016, the report said.

A report by Xinhua on Feb 19 said China's mobile payments totaled 81 trillion yuan for the first 10 months of last year.

The volume was much more than the whole of 2016, which stood at 58.8 trillion yuan, Xinhua said, citing the Ministry of Industry and Information Technology.

The value of third-party e-payments in China has grown at an annual rate of more than 100 percent since 2015, offering consumers an alternative to bank payment channels at lower transaction costs, according to rating agency Moody's Investors Service.

Alibaba and Tencent are the two major players that promote mobile payments in China. Products from the two Internet giants continue to dominate the industry.

According to figures from CNNIC, China had 724 million mobile device users at the end of June 2017. More than 35 percent of these users often make mobile payments, while 31.8



A passenger scans a QR code to purchase a train ticket via a mobile payment platform at the Beijing West Railway Station on Jan 5. Point-of-sale mobile payments are becoming more appealing to Chinese consumers as they are seen as faster, more convenient and safer than cash. IMAGINECHINA

## Toward a cashless society

percent still prefer using cash or credit cards.

The Beijing-based market research firm Analysys estimates China's mobile payment market will account for transactions worth 100 trillion yuan by 2019.

Global information and measurement company Nielsen said the Internet has fundamentally changed Chinese consumer habits.

In a report, *What's Next for China's Connected Consumers*, Nielsen said the digital revolution is "primed to accelerate, and connected devices are a core purchase driver in China." "New innovations will further transform buyer behaviors and offer new routes for brands to reach and engage their target audiences."

Shelleen Shum, senior forecasting analyst with eMarketer, said many of the key drivers of growth can be attributed to growing smartphone penetration and a willingness among consumers to adopt new technology.

Shum told *China Daily Asia Weekly* that China benefited from a "late development advantage" where credit cards never took off and cash was widely used.

"So consumers leapfrogged from cash and embraced the convenience of cashless mobile payments at the point of sale," she said.

"In contrast, there was more friction in the transition to mobile proximity payments in the US because the credit-card culture is so entrenched, and consumers didn't

view it as a faster or safer form of payment compared to credit cards."

Shum said point-of-sale mobile payments appeal to the Chinese consumer as they are "perceived to be faster, more convenient and safer than cash".

"With incentives for both users and merchants by incumbents WeChat Pay and Alipay, adoption has spread rapidly," she said.

"Even those living in the rural areas are starting to adopt this method of payment, and the speed with which China has transitioned away from cash is truly remarkable and has lessons for other countries moving toward a cashless society."

CNNIC said recently that Internet penetration rates have reached 55.8 percent in China, more than the global average (51.7 percent) and the average for Asia (46.7 percent).

The number of mobile phone users in China has reached an impressive 753 million.

Unsurprisingly, mobile phone use was up while everything else was down, including desktop computers, laptops and tablets, CNNIC said.

Coupled with the rise of Internet use has been the dramatic rise in Chinese spending power and consumer confidence over the past decade.

Leon Perera, CEO of Spire Research and Consulting, said most e-commerce purchases in China are now made on mobile devices.

"Consequently, China's m-com-

merce (mobile commerce) market is vast and growing in tandem with rising smartphone penetration. This has been a huge driver of consumption," he told *China Daily Asia Weekly*.

"Due to the high smartphone penetration and the existence of a competitive e-commerce market with giants like Alibaba and Tencent, Chinese consumers have taken to m-commerce like a duck to water.

"There is immense growth potential, particularly in third- and fourth-tier cities where consumer credit has the most room to grow."

He said China is a very competitive society, with a rapidly growing, well-traveled middle class. "Chinese consumers are more than willing to pay top dollar for high-quality brands and products."

Driving this new consumer market have been Alibaba and JD.com.

China's Singles Day has now emerged as an online shopping phenomenon that benefits manufacturers, traders and consumers far beyond China's borders.

The Nov 11 Singles Day became an online shopping spree in 2009 when Alibaba's Tmall began to make it so through extensive promotions.

An event that began in "the world's factory" and the second largest economy now draws bargain-hunting shoppers from around the world, alongside multinational corporations seeking sales, Xinhua reported in November last year.

"It is a worldwide social synergy

event," Zhang Yong, CEO of Alibaba Group, told Xinhua.

"The synergy means joint efforts by global businesses, and driven by technology and big data. It is a Chinese phenomenon with world influence," he said.

Last year, sales hit 100 billion yuan by 9:04am. Sales on Tmall broke the 10 billion yuan mark just three minutes after midnight. In 2016 it took almost seven minutes.

"It is a Chinese phenomenon, but resonates across the world," Zhang said.

A spokesperson for JD.com said that e-commerce already accounts for more than 18 percent of retail in China and that JD.com is the largest retailer in China, online or offline.

"Compare that to other markets, like the US, where Amazon still isn't in the top five, and you can see that e-commerce is much stronger in China than elsewhere," the spokesperson said.

"We began as an online retailer in 2004, and we are now the third largest Internet company in the world by revenue (after Amazon and Google).

"For the business-to-consumer segment, we have about a third of the market in China.

"Internationally, our primary short-term focus in terms of sales is Southeast Asia. In terms of recruiting brands, we just opened offices in Paris, Melbourne and Tokyo, while we have had US operations for several years."