2017 MOBILE PAYMENT USAGE IN CHINA REPORT



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Based on comprehensive sampled data from WeChat Pay from January to June 2017 in 324 Chinese cities, Tencent Research Institute analyzed the development and penetration of mobile life in China. Tencent Research Institute (TRI) is the social-economic research branch of Tencent. TRI dedicates most of its efforts to better understand how technology, with the internet in particular, has changed and will change Chinese society.

Based on WeChat Pay data and an online survey of 6,595 respondents, Ipsos observed user behavior and consumer use cases of the cashless lifestyle. Ipsos, an independent worldwide research group founded in France in 1975, specializes in media & brand communications, customer loyalty, marketing, public affairs research, and consumer survey management.

The Chongyang Institute for Financial Studies at Renmin University of China (RDCY) analyzed the formation, status, future and implications of China's cashless society. RDCY, established in 2013, is a think tank which recruits former political leaders, leaders from the banking industry, and preeminent scholars as senior fellows for the study of finance.



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Smart life is a lifestyle that connects the online world and the real world seamlessly via the mobile internet, cloud computing, and other advanced technologies resulting in the free flow of information, materials, and capital across time and space, resulting in daily life becoming richer and more convenient.

Mobile payment is the core element supporting this lifestyle. Statistics from the Payment and Clearing Association of China show that from 2013 to 2016, the number of transactions made through non-banking mobile apps increased from 3.777 billion to more than 97 billion, with a compound annual growth rate of over 195%.

WeChat Pay has become the main cashless payment method for daily small transactions in China. As of Q1 2017, Weixin and WeChat combined have a monthly active user base of 938 million users, with a YoY increase of 23%. At the end of December 2016, Tencent's active mobile payment accounts and daily payment transaction volume both exceeded **600 million**. WeChat Pay is becoming a part of Chinese people's everyday life.



MOBILE PAYMENT CONNECTS BUSINESSES AND USERS

WeChat Pay Adoption in China



WeChat Pay is now the core of WeChat's "Smart Life Solution", which has been adopted by millions of stores in more than 30 different industries.



Source: Official WeChat data as of the end of July 2017

THE DEVELOPMENT OF CASHLESS PAYMENTS IN CHINA: 2013-2016

Amount (RMB:Trillion)Transactions (100 Million)



Source:

People's Bank of China, (2013, 2014, 2015, 2016), *China Payment System Development Report* Payment and Clearing Association of China, (2013, 2014, 2015, 2016), *Operation Report of China's Payment and Clearing Industry*



WeChat Pay & Smart Life



CHINESE TOURISTS CAN ENJOY SMART LIFE OUTSIDE CHINESE MAINLAND



WeChat Pay can be used in 13+ countries and regions outside of the Chinese mainland, and accepts transactions in over 13 currencies.



Source: Official WeChat data until the end of July 2017

User Behavior



40% OF CHINESE REGULARLY CARRY LESS THAN 100 RMB CASH

No Cash	14%	
< 100 RMB		26%
100-300 RMB		
301-500 RMB		
501-800 RMB		
801-1,000 RMB		
1,001-1,500 RMB		
1,501-2,000 RMB		
More than 2,000 RMB		



YOUNG PEOPLE ARE MORE USED TO A CASHLESS LIFESTYLE

Average amount of cash carried daily (RMB) By age Average amount of cash carried daily (RMB) By gender



Post-60sPost-70sPost-80sPost-90sGenerationGenerationGenerationGeneration



WOMEN CARRY LESS CASH THAN MEN



52% OF CHINESE USE CASH FOR ONLY 20% OR LESS OF THEIR MONTHLY CONSUMPTION



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MOBILE PAYMENT HAS A HIGHER ADOPTION RATE IN EASTERN AND NORTHERN CHINA







"Since WeChat Pay was launched, I use it for almost every occasion, even when I buy a pack of cigarettes."

When do you use cash?

"When only cash is accepted": 73%

"For small transactions "

Other Reasons



When...

···· "Mobile payments are not accepted."

46%

··· "Internet connection is bad."

··· "There happens to be just enough cash for the purchase."

73%



HOW LONG CAN YOU SURVIVE WITH LESS THAN 100 RMB IN CASH?

Less than a week 1-4 weeks More than 1 month



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HOW DO YOU FEEL IF YOU DON'T CARRY ANY CASH?

"I'd be concerned all-day that there'd be a situation requiring cash."



84% 84% Calm "Whatever, I can use mobile payments."



" It's not acceptable. I must go home or to an ATM. "



USERS' RECEPTION OF THE CASHLESS LIFESTYLE BY REGION

% penetration



People in the the Eastern China region are the most accepting of a cashless lifestyle. 87% of interviewees are fine with a totally cashless life.



Industry Penetration



SMART LIFE · DINING ALMOST ALL DINING ESTABLISHMENTS ACCEPT MOBILE PAYMENTS

66



In China, every segment of the dining industry has adopted mobile payments, with fast-food chains having the highest usage. Even street food stands today accept mobile payments, thereby increasing the trust between vendors and customers.

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Dining

Mobile payments
Cash
Credit card

% by payment method

 16
 21
 13
 1215
 37

 16
 5
 138
 1215
 2

 Fast-food Chains
 Bakeries
 Cafés
 Restaurants
 Fruit Vendors





74

69

56

Food Stands

40

SMART LIFE · RETAIL PENETRATION OF MOBILE PAYMENTS VARY ACROSS RETAIL SECTORS



Convenience stores are the highest-frequency sector for mobile payments. Mobile payments have become the payment method of choice for brand retail and appliance stores where people used to swipe credit cards.

Mobile payment
Cash
Credit card
% by payment method

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SMART LIFE · ENTERTAINMENT MOBILE PAYMENTS IS MOST POPULAR IN MOVIE THEATERS



Entertainment

Mobile payment

% by payment method

Cash

Credit card

A wallet is no longer a must for Chinese consumers. For entertainment, mobile payments is most popular when purchasing movie tickets. Online services make ticket purchasing easier and faster, with mobile payment a more favorable choice for pre-orders.



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SMART LIFE · TRAVEL MOBILE PAYMENT IS NOW THE STANDARD



Traveling

Travel is easier with mobile payments. Now people can travel any where with a few quick taps on their smartphone. In China, it's become routine for consumers to use mobile payments to pay for taxis.



Mobile payment
Cash
Credit card
% by payment method

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Source: Ipsos research

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| Future Prospects



MOBILE PAYMENT WILL NARROW THE GAP BETWEEN URBAN AND RURAL CONSUMERS IN CHINA

Penetration of Mobile Payment Users In 2016



Mobile payments lower financial costs and narrow the gap between urban and rural areas. China's aging population reached 230 million by the end of 2016. The low adoption in the senior demographic towards mobile payments is rooted in their own long-seated spending habits and perceptions on consumption. Both the government and enterprises are working actively on making mobile payments more advanced and universal.



Source: Payment and Clearing Association of China *Mobile payment User Report (2016)*

MOBILE PAYMENT WILL IMPROVE FINANCIAL CREDIT RATING

A financial credit rating system is a cornerstone to the development of a market economy. Mobile payment methods such as WeChat Pay now connect daily consumption with the financial credit rating system. It elevates the development of credit rating to the administrative level. Working together with administrative departments, mobile payment platforms can contribute to a comprehensive credit rating that more effectively regulates and takes into account financial improprieties and criminal behaviors such as money laundering and tax evasion.



MOBILE PAYMENT WILL INCREASE THE VITALITY OF AN INCLUSIVE FINANCIAL SYSTEM

Improving mobile payments will help lower the entry barrier to financial services, and increase equality and inclusiveness of financial services for people across a wide spectrum. Mobile payments help individuals who lack collateral or credit records to accumulate credit worthiness via mobile payment data from everyday life. It lays the foundation for the construction of a timely, convenient and accessible financial system, echoing the spirit of social equality and the goodwill of inclusive finance.



MOBLE PAYMENT ALSO NEEDS INNOVATIVE TECHNIQUES FOR BETTER REGULATION

Mobile payments impacts people's demand for financial services as well as the operation of financial systems. These effects will further require a corresponding escalation in financial governance capabilities, including an upgrade of fundamental financial infrastructure, new approaches to deal with the uncertainties of emerging applicable technologies, an enhancement of network security, and improvements to the protection of individual privacy. In the future, we will need an open mindset and innovative regulatory techniques to deal with all varieties of new lifestyles driven by these new technologies.



FUTURE POSSIBILITIES OF MOBILE PAYMENT AND THE CASHLESS LIFESTYLE

WeChat is a social platform and also a mobile payment tool - this is by no means a coincidence. In <u>The Philosophy of Money</u>, Georg Simmel indicates that money is essentially a product of social interaction, and it plays a decisive role in promoting social exchanges.

Tech companies in China today have built a holistic eco-system covering financial services including third-party payments, monetary funds, insurance, online banking, credit rating, and consumer loans. With these tools and services, they are not aiming at eliminating cash with mobile payments, but offering a better and more convenient payment experience to consumers, and to offer more inclusive financial services, thereby creating a more productive society.

Worldwide, there are still over 2 billion people not covered by inclusive financial services. We are beginning to see both Chinese solutions and models for digitalized financial services increasingly adopted worldwide. Beginning with mobile payments, Chinese FinTech companies will contribute to the global development of financial technologies, and bring digital inclusive finance to all those who are in need.



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