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

Available in millions of stores

Adopted across over 30 industries

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

Cards

Mobile Payment via Banking Apps

Mobile Payment via Non-Banking Apps

Transactions (100 Million)

Amount (RMB: Trillion)

Source:
WeChat Pay & Smart Life

**WeChat Red Packets**
Went viral during China’s Spring Festival

2014

**January**
Saw explosive growth as ride-sharing services accelerated

March
Opened to business use

2015

**April**
Launched Spark Program to support service providers

2016

**September**
Announced “zero tech requirements” for a lower adoption threshold

2017

**August**
Launched WeChat Smart Life Solutions, offering O2O tools covering over 30 industries

**July**
Launched Open Platform and WE Plan, to support overseas merchants and partners
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

Source: Ipsos research
YOUNG PEOPLE ARE MORE USED TO A CASHLESS LIFESTYLE

Average amount of cash carried daily (RMB)
By age

Post-60s Generation: 557
Post-70s Generation: 479
Post-80s Generation: 328
Post-90s Generation: 172

Average amount of cash carried daily (RMB)
By gender

Men: 320
Women: 257

WOMEN CARRY LESS CASH THAN MEN

Source: Ipsos research
52% OF CHINESE USE CASH FOR ONLY 20% OR LESS OF THEIR MONTHLY CONSUMPTION

How much cash do you spend per month?

52% respondents said less than 20% of their monthly spend was conducted via cash.

Total spending

Proportion of people who spend ≤ 20% money in cash each month

<table>
<thead>
<tr>
<th>Generation</th>
<th>Total Spending</th>
<th>Proportion Spending in Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-60s</td>
<td>RMB 3842.5</td>
<td>45%</td>
</tr>
<tr>
<td>Post-70s</td>
<td>RMB 4363.6</td>
<td>50%</td>
</tr>
<tr>
<td>Post-80s</td>
<td>RMB 4482.5</td>
<td>53%</td>
</tr>
<tr>
<td>Post-90s</td>
<td>RMB 3120.2</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: Ipsos research
MOBILE PAYMENT HAS A HIGHER ADOPTION RATE IN EASTERN AND NORTHERN CHINA

Monthly Spending (RMB)

<table>
<thead>
<tr>
<th>Region</th>
<th>Monthly Spending</th>
<th>Proportion of people who use cash for less than 20% of their monthly spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern China</td>
<td>4001</td>
<td>54%</td>
</tr>
<tr>
<td>Northern China</td>
<td>3836</td>
<td>55%</td>
</tr>
<tr>
<td>Central China</td>
<td>3564</td>
<td>49%</td>
</tr>
<tr>
<td>Southern China</td>
<td>4035</td>
<td>52%</td>
</tr>
<tr>
<td>Southwest China</td>
<td>3877</td>
<td>43%</td>
</tr>
<tr>
<td>Northwest China</td>
<td>3546</td>
<td>42%</td>
</tr>
<tr>
<td>Northeast China</td>
<td>3519</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Ipsos research
“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 “: 46%

Other Reasons: 5%

When...

… “Mobile payments are not accepted.”

… “Internet connection is bad.”

… “There happens to be just enough cash for the purchase.”

Source: Ipsos research
HOW LONG CAN YOU SURVIVE WITH LESS THAN 100 RMB IN CASH?

74% of people stated that they can live for more than a single month with only 100 RMB.

<table>
<thead>
<tr>
<th>Cash Range</th>
<th>Less than a week</th>
<th>1-4 weeks</th>
<th>More than 1 month</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 100 RMB</td>
<td>26%</td>
<td>62%</td>
<td>12%</td>
</tr>
<tr>
<td>100–300 RMB</td>
<td>17%</td>
<td>69%</td>
<td>14%</td>
</tr>
<tr>
<td>301–500 RMB</td>
<td>9%</td>
<td>78%</td>
<td>13%</td>
</tr>
<tr>
<td>501-800 RMB</td>
<td>13%</td>
<td>74%</td>
<td>14%</td>
</tr>
<tr>
<td>801-1,000 RMB</td>
<td>7%</td>
<td>73%</td>
<td>20%</td>
</tr>
<tr>
<td>1,001-1,500 RMB</td>
<td>5%</td>
<td>69%</td>
<td>26%</td>
</tr>
<tr>
<td>1,501–2,000 RMB</td>
<td>13%</td>
<td>62%</td>
<td>25%</td>
</tr>
<tr>
<td>More than 2,000 RMB</td>
<td>13%</td>
<td>55%</td>
<td>32%</td>
</tr>
</tbody>
</table>
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.” 12% Concerned

84% Calm
“Whatever, I can use mobile payments.”

4% Refusal
“It’s not acceptable. I must go home or to an ATM.”

Source: Ipsos research
People in the Eastern China region are the most accepting of a cashless lifestyle. 87% of interviewees are fine with a totally cashless life.
Industry Penetration
Almost all dining establishments accept mobile payments.

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.

Source: Ipsos research
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.
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.
Travel is easier with mobile payments. Now people can travel anywhere with a few quick taps on their smartphone. In China, it’s become routine for consumers to use mobile payments to pay for taxis.

Source: Ipsos research
Future Prospects
MOBILE PAYMENT WILL NARROW THE GAP BETWEEN URBAN AND RURAL CONSUMERS IN CHINA

Penetration of Mobile Payment Users In 2016

County-level 19.6%
Rural 17%

1/3 of the total user population in China

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.
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 *The Philosophy of Money*, 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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