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HD UnionPay **China's** way to pay
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Tourism Businesses need to get **China**-ready if they want to benefit from **Chinese** spending.

This week's **Chinese** New Year holiday marks the peak of annual spending for **Chinese** tourists in Australia, a rapidly growing market now worth \$4.6 billion a year. **Chinese** visitors are filling up hotels and splurging on luxury goods across capital cities and at popular tourist destinations like the Gold Coast and Cairns. But few Australians realise that paying for accommodation and other **purchases** often isn't as easy for **Chinese** visitors as it is for those of other nationalities.

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Chinese tourists in Australia have a reputation for making many high-end **purchases** in cash. Contrary to popular belief, that isn't some sort of strange cultural trait. The likely reason is that the **hotel** or shop they are in does not accept UnionPay, the monopoly credit and debit card payment scheme in **China**.

"In **China**, imagine [UnionPay] is Visa, MasterCard, American Express and EFTPOS put together," said Sydney-based James Yang, the chief representative of UnionPay International South Pacific.

There are 3.9 billion UnionPay cards on issue and only 1.35 billion **Chinese** residents, meaning most adults have at least three cards and some have up to a dozen. **Chinese** tourists are only allowed to take \$US5000 (\$5700) or the equivalent in cash out of their country.

But if there are UnionPay facilities available in the host country, the spending power is capped only by the credit card limit. There are no conversion fees from Australian dollars to yuan.

National Australia Bank (NAB) was the first of the big four banks to catch on to the attractions of UnionPay, signing a deal back in 2006 when the **Chinese** tourism market was worth about \$1.7 billion a year. The deal meant **Chinese** tourists, students and recent migrants could access the entire NAB network of ATMs and EFTPOS terminals across Australia, so long as merchants opted in to accept UnionPay, as they do with Visa, MasterCard and American Express. This gave an instant advantage to NAB in pitching for business clients with **Chinese** customers.

Key entertainment and shopping destinations including Crown Casino, The Star in Sydney and Phillip **Island** reportedly switched their **transactional** banking services to NAB to gain access to UnionPay cardholders, and last year the deal was extended to online payments. But for the businesses that didn't use NAB as their bank and offer UnionPay, the only practical option for **Chinese** tourists is to head to an ATM and withdraw up to the daily limit of \$1800 per UnionPay card to pay for hotels and other daily expenses, with no protections from theft or fraud. That is far from ideal.

"**Chinese** in one way are very conservative," Mr Yang said. "They don't want to risk their cash, especially when they travel around in another country. They would like to have something to guarantee their comfort or something to give them comfort, and for retailers the confidence leads to sales."

Now that **Chinese** tourism spending continues to grow at a rapid rate, more Australian businesses are catching on to the attractions of UnionPay. Commonwealth Bank of Australia (CBA) and David Jones

were among those rolling out UnionPay facilities last year, although CBA offers it to merchants but does not offer ATM access like NAB.

"Since announcing our UnionPay rollout, we have recently experienced an increase in inquiries from new merchants eager to be able to accept UnionPay cards," a CBA spokesman said.

"In part this is a realisation of the potential of a UnionPay customer to spend more on a **transaction**."

Mr Yang said the average size of a UnionPay **transaction** in Australia is about \$800, which is about five times larger than for Visa and MasterCard, with **purchases** including university fees and cars for migrants without local credit histories. "The **Chinese** love shopping," Mr Yang said. "It is very, very important for them."

Despite that, some banks have been slower to see the benefits. ANZ Banking **Group** signed a memorandum of understanding with UnionPay more than a year ago but it has yet to be finalised. The deal covers Australia, New Zealand and other Asia-Pacific countries including merchant payments, contactless **transactions**, and ATMs. Therefore, the rollout is more complex than it was for NAB and CBA.

Westpac Banking Corp has yet to cut even a preliminary deal. Westpac was unavailable for comment.

"The big banks here are very busy and profitable and those kinds of projects are long-term projects and a long-term investment," Mr Yang said of ANZ and Westpac. "They have started doing the evaluation and talking to UnionPay on how to meet the demand from their merchant clients."

That means UnionPay only has about 40 per cent coverage in Australia at a time when annual spending on the cards in the country has grown from nothing in 2006 to about \$1 billion in 2013.

"For our customers, it has been very successful," NAB executive general manager of everyday banking and payments John Murphy said. "The volume we are handling on behalf of UnionPay has doubled this year and is up 10-fold from 2011 on a low base. I think it is reflective of the increase in travel for people from mainland **China**."

When Mr Yang arrived in Australia three years ago, it had only one-fifth the annual **transaction** value of Singapore – a country which has closer cultural links to **China** and receives more **Chinese** tourists. But now Australian **transactions** have grown to about half the level in Singapore and show little sign of slowing, particularly as **Chinese** tourists tend to take far longer holidays.

HSBC Australia head of **commercial** banking James Hogan says his bank's local business is benefiting hugely from the boom in **Chinese** tourists with HSBC UnionPay cards, which can be used in its local ATMs. "When you look at the spend of **Chinese** tourists arriving in Australia – and many will be HSBC **China** customers – on average those tourists spend \$7000 each," he said. "That amounts to a lot of tourist spend."

Mr Yang said that, in part due to the acceptance from CBA and David Jones, UnionPay's **transaction** value rose by 60 per cent last year and individual **transaction** numbers were up 78 per cent. He expects a 50 per cent rise in **transactions** over the **Chinese** New Year period this year relative to last year.

Yet Mr Yang is still setting his sights higher. He wants UnionPay to have at least 80 or 90 per cent acceptance in Australia, anticipating that annual tourism spending by **Chinese** could double to \$9 billion by 2020.

"It is a tough job, but we do see the light at the end of the tunnel because the Australian government has a **China** Ready program," he says.

China Ready & Accredited provides a government-backed accreditation scheme for businesses which have trained their staff on how to deal with **Chinese** tourists. "One of our partners is UnionPay," **China** Ready & Accredited chairman Gary Crockett said. "It plays an essential and fundamental role in the lives of **Chinese** travellers."

Mr Yang is also encouraging more retailers who accept the card to advertise that fact in their windows just as Australians look for a Visa or MasterCard sign when shopping overseas.

"Signage is very important," he said. "When **Chinese** see [UnionPay] signage they feel a sense of welcome[ness], a friendly sense. So they are always looking for the shops that have displayed the UnionPay logo. They see the logo and they know the shop knows about **Chinese** business and how to take care of them."

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