



CHINA SUMMIT 2016

Presented by

Emory Global China Connection

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THE CASE

In this case competition, your goal is to propose a strategic and implementation plan from the standpoint of one of the mobile payment companies in the United States, who would now like to extend their business to China. In your proposal, you will assume the perspective of the mobile payment company's management team to deliver a plan on starting and growing in the Chinese market.

You are recommended to refer to previous cases of American companies entering the Chinese market, and whether they failed or succeeded. Your team should also be able to identify challenges and potential local competitors in China's mobile payment industry by conducting extended research. Your presentation should include rationales behind the proposal, details of the strategy, implementation plans, and limitations supported by evidence from research.

1. INTRODUCTION

Consumers around the world are rushing into the embrace of the smartphone market. For the first time, more than one-quarter of the global population uses smartphones in 2015, and the number of smartphone users worldwide will surpass 2 billion in 2016, according to new figures from eMarketer—after nearly getting there in 2015. Estimation is made to forecast the boom of the market in 2018, that over one-third of consumers worldwide, or more than 2.56 billion people, will become smartphone users. It is worth noticing that in 2015 China has reached top 500 million smartphone users for the first time.

With the rapidly emerging market of the smartphones and other portable devices and electronic terminals, not only consumers' lifestyles and the paradigm for their media usages are quickly shifting and become more mobile-centric, but more significantly new opportunities are opening up in the electronic payment industry, also called the Mobile Payment processors.

1.1 What is the mobile payment industry

Mobile payment, also referred to as mobile money, mobile money transfer, and mobile wallet generally refer to payment services operated under financial regulation and performed from or via a mobile device.

By using the non-coin-based currency systems, mobile payment processors provide payment-processing services to merchants and other business entities, typically initiating transactions on behalf of merchant clients that do not have a direct relationship with the Payment Processor financial institution. Payment Processors use their own deposit accounts at a financial institution to process such transactions and sometimes establish deposit accounts at the financial institution in the names of their merchant clients.

Traditionally, processors contracted primarily with retailers that had physical locations in order to process the retailers' transactions. However, with the easy access of Internet from consumers' electronic terminals, retail borders have been eliminated. Using Mobile Payment platforms, consumers now can make money transactions, completely doing away with the need for bank transfers and checks.

1.2 Mobile payment industry in the U.S

In the U.S, PayPal is the most widely used payment acquirer, processing over \$4 billion in payments in 2011. It is also the most popular third-payment party worldwide. PayPal payments are made using an user's existing account or with a credit card. Money can be sent directly to an email address, thus prompting the users to sign up for a new PayPal account. Additionally, PayPal also allows its users to send money through the service, which is a feature that only a few payment solutions provide.

Besides PayPal, there are some others popular alternatives, either as an online money transfer service or E-Commerce payment method, including Google Wallet, Amazon Payments, Dwolla, Apple Pay, Stripe, WePay, and some others.

2. MOBILE PAYMENT in CHINA

2.1 The boom of WeChat Payment

In August 2013, WeChat 5.0 came out, and along with this updated version, WeChat introduced the debut of a new online payment method: WeChat payment. The WeChat payment is based on the WeChat platform itself, which grants the method both incredible convenience and potential challenges.

2.1.1 Prevalence and Convenience

At the time when WeChat 5.0 became available in market in August, 2013, WeChat already has more than 4 billion users in the world. The prevalence of the usage of WeChat has provided the WeChat payment a substantial background for marketing and development. Furthermore, the payment has largely shortened the extensive procedures that online payment parties embody – instead of a redundant transaction chain; WeChat payment only requires the user to connect his or her account to a debit or credit card once. As soon as the user finishes registering and connecting, WeChat payment will be able to provide a wide variety of services: it enables the user to book doctor appointments, to access traffic camera feeds, to pay electricity bills, to handle transportation bookings, to monitor air quality, to pay traffic fines, to report incidents to police, and more. The prevalent lines for services like paying bills (which is resulted from the huge population) in China have made the public crave for a time-efficient method and start integrating WeChat payment in their daily life.

2.1.2 Competitors and Limitations

Alipay, however, is still currently the dominant mobile payment method in China. Since it was founded in 1999, Alipay has been expanding its online market share. Alipay's recent annual revenue has reached more than 3,270 billion RMB. In 2015, Alipay accounted for more than 80% of China's online market. Therefore, with such a strong and "time-honored" competitor, it will not be easy for WeChat payment to take shares after entering the online payment market.

For example, even though the simplified transaction chain has granted the users lots of convenience, the safety is nevertheless no longer guaranteed by deleting another third-party: without a third party to temporarily keep the money from the buyer side, buyers paying with WeChat payment are actually taking the risk of not getting the products at the end. Furthermore, truly the "Lucky Money (Red Envelope)" has been rather popular among Chinese population, it only incites people to save tiny amounts in his or her WeChat account, whereas Alipay, which focuses more on individual and institutions' long-term investment, stocking and funding, as well as business transactions, has maintained a much huger and more solid online commercial market.

2.2 Challenges for Alipay

As China's leading Mobile Payment platform, Alipay provides various services including online payment, credit card payment, and all kinds of bill pay. Founded in December 2012, Alipay was first created to improve the security of trading in Taobao, one of China's biggest online shopping platforms. Because of the large customer base of Taobao, as well as Alipay products' strong relativity to people's daily life, Alipay has had 300 million registered customers and made up 70% of the e-commerce market till 2010. It also reaches daily maximum trading of 2 billion US dollars till 2013.

Alipay establishes its strong competence by providing safe-guaranteed financial services and having a huge customer base in Taobao. Customers can connect their account with their credit cards and pay directly through Alipay when they shop in Taobao. The services provide customers with a more convenient and secured experience during online shopping. One of the most attractive characteristics of Alipay is that it provides very similar services as banks: customers can pay credit card debts, utility bills, shop online and even receive higher interest than banks by saving money in their accounts ("Yuebao", 2014).

However, as the biggest mobile payment platform, Alipay also faces a lot of challenges. First and the biggest challenge is the pressure from government policy. Because of the growing cash flow that Alipay processes, the potential of financial crime will increase and the government will supervise Alipay monetary security more closely. Also, due to the rapid development in e-commerce, companies start to compete the variety of their services with others to increase their market share. This competition in services expansion not only results in the fast development of mobile payment platform but also causes problems in customer services, especially for Alipay, which caters nearly 80% of the market. Therefore, in order to keep its market share, Alipay will also need to pay more attention to its customer services and provide customers with better paying environment and experience.

3. GUIDING QUESTIONS

As mentioned earlier, the main part of your proposal should be based on building up a business model for a mobile payment company who would like to enter the Chinese mobile payment industry, considering several factors, including the potential smart phone users market in China, existing mobile payment entities in Chinese market, such as WeChat Payment, Alipay, and Union Pay, and ways to seek payment service partnerships with banks, credit or debit card issues, stores and companies.

In your proposal, you can also extend your research on topics including question of security and fraud of using mobile payment terminals, and government regulation for a foreign company opening up business in China.

Here are some guiding topics that can help you when drafting your report.

- Marginal profits of your mobile payment company in doing business in China
- Technical support and Intellectual property right enforcement
- Market access for Chinese local service companies that would support your mobile payment method
- Survey on Chinese consumer market purchasing power
- Current exchange regulations, and settlement currency used in mobile payment
- Transaction fees for banks incorporated with your mobile payment service

Your proposal need not cover all grounds with equal weightage. Nonetheless it is important to show consistency, balance and cohesion. In other words, your case submission may choose to prioritize certain aspects of your business strategy, but you must justify and explain your reasons for doing so. Also parameters such as the size of your company and asset holding are also up to your discretion. As a reminder, it is important that you understand your perspective as a group of internal management team presenting your proposal to the executive board of the company.

The first round of the case competition will be done online. All teams must submit an executive summary of their proposal to gccemory@gmail.com by March 25, 2016 at 11:59pm. Results of the first round will be announced on March 27, 2016. Teams who are successful in the first round will have the opportunity to present at the China Summit conference hosted at Emory University on April 9, 2016.

4. JUDGING CRITERIA

Rated on a scale of 1-5 with descriptions of what is expected for each value (0 being “least competent” and 5 being “most competent”)

Category	Description	Rating				
Understanding the Issue	Understanding of the topic and issue	1	2	3	4	5
Research on Background	Relevant evidence and reliable sources	1	2	3	4	5
Analysis of the Challenge	Issue identification, analysis and interpretation	1	2	3	4	5
Solution Recommendation	Meaningful and viable points	1	2	3	4	5
Solution Implementation	Applicable and action-oriented solution	1	2	3	4	5
Presentation Quality	Confidence and enthusiasm in the topic; eye contact, body language, and vocal projection; clarity of speech throughout presentation	1	2	3	4	5
Creativity	Extent of innovation and creativity	1	2	3	4	5
Q&A	Response to questions	1	2	3	4	5
	Total					

5. About Emory Global China Connection

Emory University Global China Connection is a China-focused student organization chartered by Emory University. It strives to provide a forum of exchange and dialogue among students, business leaders, and scholars on China's progression and involvement in the international community. Emory GCC is one of the 60 university chapters of Global China Connection. To learn more about the GCC network, please visit: <http://www.gccglobal.org/>

5.1 A History —What We Have Done

Since its founding in September 2010, GCC Emory has grown rapidly from a 3-member club into a permanently chartered student organization with an executive board of twenty members and a general body of over 150. Over the past three years, GCC Emory has initiated a series of panel discussions, seminars, and conferences that focus on distinctive aspects of China and Sino-US relations. Prior topics include “Sustainable Development in China,” “Chinese Pop Culture,” “China Business Summit - China at the Crossroad of Change,” and “China Summit - China in 2023.” Our events received campus-wide attention as well as responses from other GCC chapters across the nation, including University of Georgia, Georgia Institute of Technology, Rice University, Vanderbilt University, and Columbia University. Through our events, GCC Emory has built long-term partnerships with academic departments at Emory and other recognized institutions around Atlanta. We have received generous support from the China Research Center, as well as had the privilege to work with Emory’s East Asian Studies Program, Hong Kong Association of Atlanta, and the Confucius Institute, which are key contributors to the success of GCC Emory. This year, we have also strengthened our presence on Emory’s campus through holding monthly events and collaborating with other clubs and organizations.

5.2 An Outlook — What We Will Do

Looking forward, we as a club will continue to focus on China-related issues that concern the Emory community. Furthermore, we will extend our topics to attract a broader audience who has an interest in areas such as public policy, traditional culture, healthcare, etc. We will continue our efforts in strengthening our existing partnerships and expanding our network. We welcome all forms of support from both student and professional organizations who share our mission.