

Mobile Payments

Change Lives

By staff reporter LU RUCAI

MY friend Xiao Mei has recently been fundraising for a Beijing-based art troupe of disabled children. She contacted me on WeChat to ask for my support and offered several payment options. I chose to donate via Alipay – using my smartphone. The transfer was done within seconds, faster and easier than an online bank transfer since neither multi-digit bank account numbers nor the banks' particulars or online banking devices were required.

Alipay, a third-party e-payment arm of the Alibaba Group, was developed as a platform for online shopping. Today, it incorporates several new features into its original functions. In addition to making transfers and paying credit card and utilities bills, Alipay enables you to make donations, or even receive tax refunds on purchases made abroad. In a sense, mobile payments are changing urban life.

A Breakthrough in Building Trust

Launched at the end of 2004, Alipay was paired with taobao.com, a peer-to-peer (P2P) shopping website initiated by the Alibaba Group. At that time, online shopping in China was in its infancy, with a turnover of just RMB one billion. The lack of mutual trust between buyers and sellers over payment was the major obstacle to the development of online purchasing. The problem was not resolved until Alipay inaugurated the "guaranteed trade" mode in which a buyer first transfers order payments to Alipay who then informs the seller to deliver the goods. When the buyer confirms receipt of the goods, Alipay transfers the money to the seller.

But Alipay is not simply an e-payment tool. Over the years, it has developed

into a practical aid for daily life with such functions as "pay by group" and bill repayments. In addition to taobao.com, Alipay has also expanded its service to a wider range of platforms including online purchasing for train tickets, making people's lives much easier.

In July 2014, the Guangzhou Women and Children's Medical Center became the first medical institution in China to allow mobile payments. Patients with medical insurance first pay in the hospital via the Alipay app on their smartphones, then, before leaving hospital, swipe their medical insurance cards at the counter reserved for Alipay. The reimbursed cost is then deposited to their accounts, and a confirmation message sent to their mobile phones. This new payment method avoids long queues and saves time. Within one month of the launch of this service, 20,000 Alipay users linked their medical insurance cards to their e-wallet accounts. Over 10 percent of the hospital's outpatients pay in this way. This figure is estimated to rise to 40 percent in the future.

On top of that, Alipay provides services, such as interprovincial health insurance payments and road toll payments. At the 10th anniversary of its launch on December 8, 2014, Alipay disclosed that during its 10 years' operation, 42.3 billion online payments nationwide had been made via Alipay.



Payment by smartphone mobile wallet is a growing trend in China today.

Overseas Services

According to Michael Bryzek, co-founder and CTO of the flash sales site Gilt Groupe, less than 10 percent of Chinese customers have credit cards, but most of them are Alipay users.

On June 25, 2014, Alipay announced a partnership with the U.S. online payment startup Stripe. Under their agreement, overseas merchants that use Stripe's payment software can now give their consumers on the Chinese mainland the option of paying through Alipay. What's more, negotiations are underway between Alipay and U.S.-based ShopRunner to allow Alipay users to shop directly on a range of popular American e-commerce websites, and have their orders delivered to China within 10 days.

Alipay has not only developed business in traditional sectors through cooperating with overseas e-commerce platforms, but also ventured into the international tourism market. It offers services that allow Chinese tourists to receive tax refunds on purchases made abroad and to buy overseas transport cards, directly from Alipay's mobile wallet.

In July 2014, Alipay announced its strategic cooperation with the Swiss tax-refund company Global Blue. Chinese nationals who visit France, Germany, Italy, the Netherlands, South Korea, Spain, Switzerland, and the U.K. are able



their purchase in Europe.

A few months later, Alipay launched its overseas transport card service. Chinese tourists to Macao, Singapore, South Korea, and Thailand can now purchase transport cards to use at their destinations via Alipay before leaving home. An e-voucher is sent to their account. Upon arrival, within one month buyers can collect the cards by presenting their e-vouchers to be scanned by local staff. If it is a prepaid card, any remaining money is transferred back to their Alipay accounts when the card is returned.

Though these new services have fewer users than Alipay's conventional online payment service, they highlight the potential for future developments.

Easy and Safe

Ambitious Alipay, not satisfied with simply being a payment tool, started to

a large number of clients by breaking through all barriers to purchase a fund – simplified procedures, no capital threshold, and the freedom to buy and sell at any time.

However, supervisory authorities and the financial circle have been disputing this product as a *de facto* form of saving. They claim that it operates on the pretext of a fund, and that it affects the efficiency of the country's monetary policy. Meanwhile, its risks have been repeatedly criticized. In spite of that, the number of Leftover Treasure users reached 149 million by the end of September 2014, with an asset size of RMB 534.9 billion. On average, one out of nine Chinese have purchased this product. At the same time, Tianhong Asset Management Company, which was on the verge of bankruptcy, has grown into the largest company of its kind in China.

Alipay has been a great success, but at the same time it is faced with a group of competitors. Tencent's Tenpay is the most challenging one. Launched in 2005, Tenpay is a payment platform mainly targeted at the massive users of Tencent's QQ and WeChat. But for now, Alipay seems invincible. According to statistics for the second quarter of 2014, Alipay and Tenpay respectively occupied 42.4 percent and 19.05 percent of online payments. In the first half of 2014, Alipay took 80 percent of the market share of mobile payments. More than 25 million payments are made through Alipay smartphone wallets on a daily basis. On November 11, 2014, Alipay broke a new record when a total of 197 million mobile payments were made in one day. It has become a world leader in the field of mobile payments.

Joining forces with telecommunications equipment giants like Huawei and Samsung is another secret to Alipay's success. On some smartphones including the Mate 7 and the Galaxy S5, there is a service that allows users to make payments using their fingerprints as verification. At the end of 2014, Alipay enabled access to Apple's biometric-based TouchID for transactions via its Wallet app. At present, the service is only applicable to iOS 8 and above on iPhone5S. But in the foreseeable future, fingerprint payments will be available on all kinds of mobile payment terminals so enhancing payment safety. ■



Patients at the Foshan Hospital of Traditional Chinese Medicine of Guangdong Province can now pay via smartphone, which avoids long queues and saves time.

to receive tax refunds via Alipay from retailers participating in the alliance between Alipay and Global Blue. Tourists first fill out a tax refund application form, giving their names in *pinyin*, passport numbers, and mobile phone numbers linked to their Alipay accounts, which the Customs Department stamps when they depart the country. The forms must be dropped in designated airport mailboxes. Within 10 working days, tourists receive their tax refund in Renminbi on Alipay. Previous procedures for Chinese tourists to reclaim taxes were complicated. Consequently in 2013, nearly one third of Chinese tourists did not reclaim taxes on

collaborate with Tianhong Asset Management Company in June 2013 to launch a wealth management product, Leftover Treasure. This money market fund allows its clients unlimited purchases. The shares are confirmed and income is accrued from the day after subscription. Interest earned is shown on a daily basis and buyers are free to sell at any time. Moreover, it enables clients to use this money to pay for their online shopping orders and transfer funds to other Alipay accounts. Possessing the convenience of a current deposit account but with interest rates that are even higher than fixed term deposits, Leftover Treasure has attracted

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