

INDUSTRY UPDATE

# Alipay becomes available for Europeans

Express Report

**A**lipay, the payment service founded in 2004 by Jack Ma, founder and executive chairman of Alibaba Group, has been awarded a fintech licence in Luxembourg, which means that in future, Europeans will be able to use the Chinese payment service, too, reported Handelszeitung. In Switzerland, Alipay is so far only available to the Chinese, as a bank account in China and a Chinese passport are required. This will change after the award of the licence for electronic money in Luxembourg.

With more than 700 million active users, Alipay is the world's biggest payment service, followed by Apple Pay with a user base estimated at 250 million.

Alipay will be a serious competitor to local banks, as since January 2018, the EU's second payment services directive (PSD2) applies, which enables companies with an electronic money licence to access bank accounts and carry out transfers there on behalf of their customers. Therefore, a partnership with a bank or a credit card provider is no longer necessary.



It is not clear yet what services Alibaba would offer in Europe. However, in China, the app is not used only for payments, but as an ecosystem for taking out loans, reserving tables in restaurants, and booking taxis and public transport. Besides, users get direct valuations, suggestions and information on offers nearby. In Switzerland, Chinese people have been able to pay using Alipay since the end of 2016. This is thanks to its cooperation with the Swiss clearing house SIX. So far, the service targets Chinese travellers who spend on average USD 2,500 per trip.

## Chinese tourists spending 15% more, but they want Alipay

Mobile payments are more popular than cash for Chinese tourists.

A new report from Nielson and Alipay has shown that 17% of Chinese tourists head to Australia when they travel abroad and they prefer to pay by mobile. Alipay, operated by Ant Financial Group, is the world's largest mobile payment platform and is used by 900 million users globally.

Australian financial institutions have started to recognise the opportunity and provided ways for merchants to offer

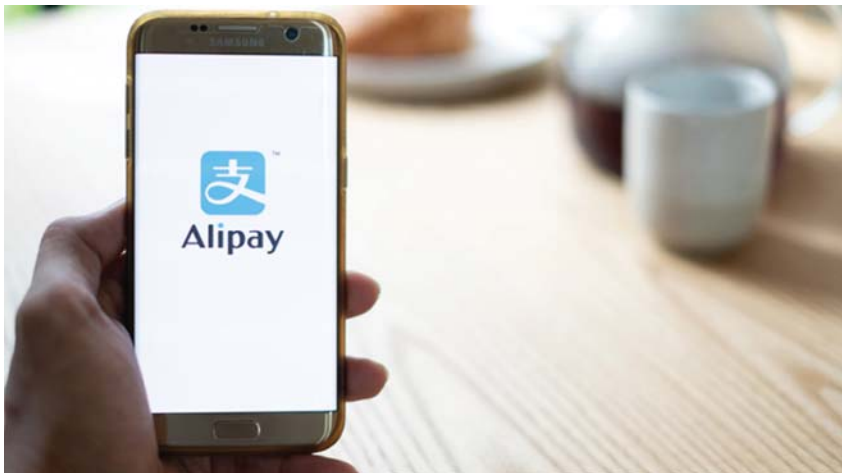
it here. CommBank announced businesses would be able to accept Alipay through its Albert payment terminal in December 2018 and Tyro has integrated Alipay into two of Heinemann's retail locations.

Nielson and Alipay's report is based on a survey of over 2,800 outbound Chinese tourists, with the findings indicating the decision to offer Alipay is a smart move for businesses. According to the report, 58% of merchants surveyed in Singapore, Malaysia and Thailand said their foot traffic increased when they started offering Alipay and 56% reported increased sales.

When visiting Australia, 68% of Chinese tourists said they made a mobile payment during their trip. They are also budgeting 15% more for spending money, on average \$9,382 per trip. The majority of this will be spent on shopping, including souvenirs, arts and crafts, food and cosmetics. This is followed by accommodation, dining and tourist attractions.

However, Chinese tourists want to spend via mobile rather than cash. When asked how they paid for their recent overseas travels, those surveyed paid for 32% using mobile phones compared to 30% using cash. This was the first year mobile payments overtook cash as the preferred payment method when travelling, which may indicate mobile payments are becoming more widely accepted.

The contribution from Chinese tourism to the Australian



economy is large and it is growing. For the year ending October 2018, there were over 1.4 million Chinese visitor arrivals in Australia. In the year ending December 2017, Chinese visitors contributed \$10.4 billion into the economy and this is expected to rise to \$13 billion by 2020.

## Juniper Report warns contactless cards threaten growth of OEM pay in U.S.



### Express Report

A Juniper Research report warns that the window for mobile pay services, like Apple Pay and Google Pay, is closing fast, as just 14 percent of U.S. consumers use OEM-pay services, defined as payment services provided by smartphone vendors.

The report, which examines U.S. and U.K., consumer attitudes on contactless payment, mobile banking and mobile commerce, states future growth of mobile wallet services is threatened by increasing deployment of

contactless credit and debit cards from banks like JP Morgan Chase, which recently announced plans to issue contactless cards.

"Over the longer term, we would expect that if the U.S. embraces contactless cards, that mobile-based contactless payment usage would probably slow, but not fade away entirely," study author James Moar told Mobile Payments Today via email. "In the U.K., a market with a well established contactless card ecosystem, we are still seeing growth for these platforms."

He said the use of these platforms would be situational, as almost none of the U.K. survey respondents use OEM pay services exclusively.

"Mobile payment services will not be able to match the pure convenience of contactless cards, and so providers need to be aware of the areas where they are used in preference to contactless card payments, and focus on providing benefits in those situations," he said. "OEM pay needs to be ready to share the contactless ecosystem, rather than control it."

The U.S. portion of the report is based on survey questions for 513 U.S. consumers during the month of December.