

Study on Overseas Market Expanding of Chinese Mobile Payment Enterprises

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Abstract: The development of the economy and of the Internet have promoted the birth of mobile payment. Since the establishment of Alipay, mobile payment has spread rapidly in China. Chinese mobile payment leads the world. Although not the earliest, it is the best developed. At present, China Mobile Payment is represented by Alipay and Tenpay, which not only penetrates into China's national life, but also gradually develops overseas. It is not difficult to see that it is inevitable that Chinese mobile payment companies will expand overseas markets. This article will explore the motivation and reasons for expanding overseas markets of Chinese mobile payment companies, in-depth analysis of the resistance that Chinese mobile payment companies may encounter in overseas markets, researching four types of risks of Chinese mobile payment companies in overseas markets, and summarizing countermeasures.

1. Introduction

Mobile payment is a payment method that uses mobile phones, especially smart phones and other tools as a medium to make electronic money payments. Buyers use mobile phones or other mobile devices to purchase goods or services. As a new type of payment method in the Internet era, mobile payment is a derivative of third-party payment. It has the characteristics of small time and space restrictions, convenient account management, and wide range of services. Due to these advantages, mobile payment has become a common practice in China as soon as it appears. The transaction scale of China's mobile payment is still growing rapidly. In 2018, China's mobile payment transaction volume was 277.4 trillion yuan. In the first half of 2019, it reached 166.1 trillion yuan, and the momentum is still rapid.

2. The Status Quo of Mobile Payment

Mobile payment mainly has the following three characteristics: The first is that the time and space restrictions are small. Compared with the traditional payment method, the payer of mobile payment needs to carry only a smart phone. The second is that the account management is convenient. Payment methods have gradually increased services such as online banking, but the convenience is still far less than that of mobile payment. The third is the wide range of services. As long as there is a mobile phone signal, you can enjoy mobile payment services. The payee even only needs to print a copy. Good QR code.

2.1 The Status Quo of China's Mobile Payment Companies

The development of China's mobile payment has led the world today. Under the leadership of Tenpay and Alipay, Chinese users' habit of using mobile payment has gradually been cultivated. In 2017, China's mobile payment scale has reached the largest in the world, with more than 200 trillion mobile payments. From 2013 to 2017, the importance of China's mobile payment continued to increase, starting at only 1%, and after five years, it reached 8.4%. The growth rate of mobile payment scale is also as high as 181% per year. It can be said that China Mobile The payment development is solid and rapid. Compared with the United States, in terms of scale, China's mobile payment has reached one hundred times that of the United States. Globally, the penetration rate of mobile payment in China is far ahead. In 2017, the proportion of electronic payment in China was 76.9%. Compared with other developed countries, although Japan was the first country to appear in mobile payment, the proportion of mobile payment was only 27%. In the United States, the figure is 48%. The developed countries in Europe have not exceeded 48%. The specific data is shown in the figure below.

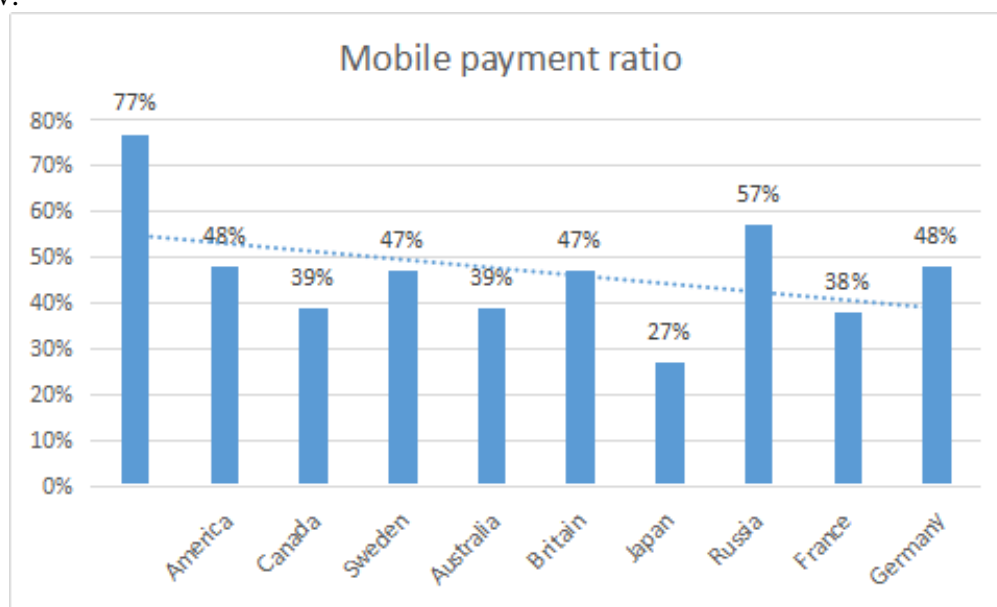


Fig.1 Proportion of Mobile Payment Usage

2.2 The Status Quo of Chinese Mobile Payment Companies Overseas

The first mobile payment platform that emerged in China also began the strategic layout of overseas expansion. Alipay's current overseas expansion is mainly divided into two parts. One part is the development of the international version of Alipay. The international version of Alipay is different from the domestic version and is mainly for international users. International Alipay's functions are not as comprehensive as domestic Alipay, and there is still a gap with PayPal. However, as Alipay's strategic layout to expand overseas markets, it is still necessary to launch international Alipay; the other part is to provide support to overseas partners through various methods. And to obtain profits, although different from the expansion of overseas markets discussed in this article, it can still be regarded as Alipay's strategic layout for going overseas. For example, Alipay supports Paytm in India through technical output, and the effect is remarkable. At the end of 2017, its users increased to 220 million, surpassing Paypal and becoming the world's third largest mobile payment platform.

And Tenpay, another mobile payment company with a huge market share in China, is also

actively expanding overseas business. It mainly serves overseas tourists and takes the market of neighboring countries as the leader. First, it can provide services in these countries without exchanging foreign currencies. The mobile payment experience enjoyed has not only facilitated overseas tourists, but also promoted it to the people of the country. Although the main body is still Chinese tourists, it has laid the foundation for the next globalization. And with the passage of time, WeChat Pay With the footsteps of Chinese tourists spreading all over the world, WeChat hopes to promote WeChat and WeChat payment to local residents based on serving Chinese tourists, and provide long-term mobile payment services and e-commerce services for local customers in the country, so as to obtain higher Profit. However, there are other social software similar to WeChat in overseas markets, and whether mobile payment can be further popularized on the basis of popular software is facing great challenges.

3. The Motivation for Chinese Mobile Payment Companies to Expand Overseas Markets

Although facing numerous resistances and huge risks that may be encountered, Chinese mobile payment companies have still begun to expand their strategic layout overseas, and even have a certain overseas market, which must have their motivation and reasons. This section will start from the market demand. It explores the motivation and reasons for China's mobile payment companies to expand overseas markets in terms of both and the potential value to companies.

3.1 The Scale of Potential Overseas Markets

United States: The Internet in the United States is relatively developed. 79% of people are Internet users. The growth rate of the e-commerce market is greater than the growth rate of physical stores. The US physical store market spends more than 20,000 US dollars per person each year, but the proportion of mobile payment in the physical store market is only 3 %,

Brazil: Brazil is one of the five BRIC countries, and the use of the Internet is not low, but Brazilian residents prefer to use credit cards, cash and other payment methods. In 2017, Brazil's physical store market per capita expenditure was US\$3,746, and the e-commerce market per capita expenditure was US\$116. E-commerce mobile payment accounted for only 13%, and the physical store market mobile payment accounted for only 3%. Similar to Japan, the theoretical potential market is very large, but user consumption habits are not easy to change, and the available market size still needs further analysis.

India: India and Brazil are both one of the five BRIC countries, but the situation is opposite. India's Internet penetration rate is less than half, but the proportion of mobile payment is considerable and still growing. After the Internet becomes more popular in India in the future, mobile payment will still There will be more room for growth. India's Internet penetration rate is 45%, the per capita expenditure in the physical store market is US\$659, mobile payment accounts for 6%, the per capita expenditure in the e-commerce market is US\$27, and mobile payment accounts for 26%.

In summary. The current mobile payment utilization rate in the domestic market has reached 70%. The gap is the potential market size. It can be seen that the potential overseas market for mobile payment is huge.

3.2 Overseas Travel Demand

With the economic growth of our country, the quality of life of the people has also improved step by step, and the number of Chinese outbound tourists has also increased year by year. The mobile payment habit cultivated by Chinese residents has brought loyal users to Chinese mobile payment

companies, with airports as the center. Expanding overseas with various attractions, hotels, hotels, and restaurants as the radiation direction. Compared with other payment methods, mobile payment has the characteristics of low cost, convenience, and low threshold. China's huge outbound travel consumer demand has brought huge amounts to Chinese mobile payment companies. Demand cannot be underestimated.

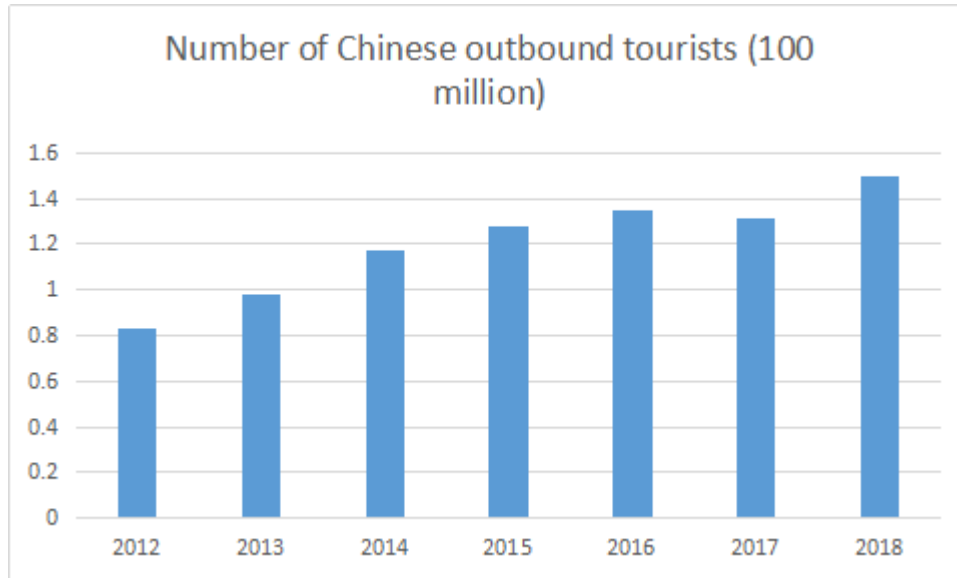


Fig.2 Number of Chinese Outbound Tourists (100 Million Person-Times)

3.3 Enhance Corporate Value

For most countries, resources and demand do not match, which drives international technology transfer. For mobile payments, China's overall resources exceed demand. According to the technology transfer cycle theory, there are three stages of technology transfer from China to foreign countries. , Commodity export stage, direct investment stage and technology export stage. The time when the parent company loses ownership of a technology is when the technology is transferred to other countries in the form of patent rights, that is, in the third stage: technology export stage In the first two stages, companies can transform the added value of technology into additional profits for the company, and these funds can further accelerate the upgrading of corporate technology, thus forming a virtuous circle.

4. The Resistance and Risks of Chinese Mobile Payment Companies Expanding Overseas Markets

This section analyzes the major obstacles that Chinese mobile payment companies may encounter overseas in a qualitative way, and uses information entropy as a reference to quantitatively analyze the risks encountered in various countries.

4.1 The Resistance of Chinese Mobile Payment Companies in Expanding Overseas Markets

Consumption habits. Since 1952, the Franklin National Bank of California issued the first bank credit card. Due to consumption concepts, economic development and other reasons, the habit of using credit cards in Europe and the United States is gradually being cultivated. Residents in Europe and the United States mostly hold credit cards. Compared with the Chinese people's habit of preferring debit cards, it is more difficult to integrate with mobile payment. In 2016 The average

person in China holds 4.47 debit cards, while the average number of credit cards per person is only 0.31. Therefore, the mobile payment platform can conveniently bind everyone's bank card, and then use a third-party payment method for consumption and transfer. The popularity of credit cards in Europe and the United States has also made the infrastructure more mature, and the use of credit cards is relatively convenient and fast, so there is a lack of motivation to change.

Financial policy support. If Chinese mobile payment companies want to expand overseas markets, they must first build a third-party payment platform, and the third-party payment platform has to undertake two basic services: identity authentication and transfer settlement. Identity authentication ensures the security of third-party payments. The transfer and settlement guarantees the convenience of third-party payment. However, foreign market-oriented banks are pursuing interests and do not have the motivation to carry out large-scale identity authentication. Without large-scale identity authentication, the security of third-party payment platforms cannot be guaranteed, and they can only rely on banks. The existing bank card binding payment cannot take advantage of the convenience and speed of QR code payment. Banks or card organizations are even more reluctant to do clearing and settlement business, which is time-consuming and low in revenue. The high penetration rate of China's mobile payment relies on its function of replacing cash. UnionPay, Net Union and banks are indispensable parts. Therefore, in foreign countries, especially in developed countries with a high degree of bank marketization, there are banks and card organizations. Not to promote or even hinder the development of China's mobile payment companies for profit.

4.2 Risks of Chinese Mobile Payment Companies Expanding Overseas Markets

In the process of expanding overseas markets, Chinese mobile payment companies face four main risks, namely political risks, cultural risks, economic risks, and technical risks.

Political risk is the primary risk a company faces when entering the market of another country. Any change in political relations between a country and other countries, especially the home country of the company, will become a political risk faced by the company. Even if there is no change in international relations, it must be Take the risks of political interference, social instability, and corruption in a country. The payment system is the core financial infrastructure of a country, and it will also face strict market access conditions when entering the markets of other countries. It is the primary issue for Chinese mobile payment companies to expand overseas markets.

Cultural risk is an important risk that any company faces when entering the markets of other countries. According to Hofstede's definition of cultural differences, cultural differences are divided into five dimensions, namely power distance, uncertainty avoidance, individualism and Collectivism, masculinity and femininity, long-term orientation and short-term orientation. Power distance is used to measure how to manage local employees and determine the degree of dictatorship of the leader. Uncertainty avoidance is used to provide corresponding professional stability. Individualism and collectivism determine whether to spend time and money to cultivate employees' loyalty to the collective, that is, the enterprise. , Masculinity and femininity are not an imbalance in the ratio of men to women, but a value standard generally recognized by society. If the value of femininity is used to require masculine employees in society, it will only be counterproductive. Long-term and short-term orientation determine whether to respect tradition. In addition to the management of enterprises, as a basic financial technology for the whole society, mobile payment is very important to understand and adapt to local residents' culture and customs. Compared with other risks, cultural risks are not easy to be taken seriously. At the same time, understanding that the cost of avoidance is higher. However, for Chinese mobile payment companies that intend to expand overseas markets, it is very important to integrate into local social

life and operate locally.

Economic risks mainly involve a country's economic freedom and the degree of economic development. For mobile payment companies, too low economic development will encounter huge resistance because the people lack basic bank accounts, and a developed economy may not be completely beneficial. , But the possible resistance of a developed economy has been discussed in the previous section. When avoiding economic risks, the main concern is the holdings of people's bank accounts, and the number of bank account holdings can be used as the criterion of economic risk.

Technical risk for mobile payment companies is mainly network security. If there is a network failure or virus intrusion, it will be a big loss for mobile payment companies. Therefore, before entering a country's market, carefully evaluate a country's network security .

5. Chinese Mobile Payment Companies' Response Measures to Expand Overseas Markets

Based on the motivations analyzed above, it is inevitable to expand overseas markets. However, as analyzed above, there are also many obstacles and huge risks when expanding overseas markets. Therefore, this section gives several countermeasures from different aspects. Avoid risks and overcome resistance.

5.1 Choose the Target Country Carefully

Before entering an overseas market, they should carefully assess the risks and resistance they may encounter. Companies can quantify the risks through indicators, or combine the opinions given by consulting companies to comprehensively select target market countries, and mobile payment companies encounter resistance in expanding overseas markets. The smallest target countries are concentrated in developing countries. These countries are similar to the situation when China's mobile payment emerged, but at the same time these countries are also facing greater risks, and they are more prone to political risks, technical risks, and economic risks, such as geographic disputes. The domestic political situation is unstable and the network security is poor. This requires Chinese mobile payment companies to fully understand the situation in the target country and carefully assess risks. They cannot relax their vigilance after entering the country's market. They must continue to pay attention to changes in the national policy situation and discover risks immediately. Prevent risks and respond to risks.

5.2 Virtual Currency Payment

Japan is the first country to have mobile payment, but the use of mobile payment in Japan is not ideal. Japanese banks are also promoting the development of mobile payment. Banking consortium led by Japan's Mizuho Financial Group and Japan Post Bank is in the Bank of Japan and financial supervision With the support of the institution, the electronic currency "J Coin" was launched. With this "J Coin", you can scan the QR code for consumption in offline physical stores.

This electronic currency is similar to the Q currency launched by China's social software QQ. It is guaranteed by the issuing group to convert the currency equivalent into virtual currency. After shopping, the merchant receives the virtual currency, and then the group issuing the virtual currency is converted into currency. Although the procedure is cumbersome to do so, it can bypass the bank. If you directly cooperate with the bank, you may face a large number of banks and the transaction cost is very high. However, if the virtual currency is launched, as long as the bank does not object, it is equivalent to the same intention. The unified settlement also reduces the cost of inter-bank transactions. Of course, this requires the group issuing the virtual currency to have sufficient credit.

For example, the aforementioned banking consortium led by the Mizuho Financial Group and Japan Post Bank is Japan's four major banking consortiums. One, because once the group presents greater financial risks, it may cause the collapse of virtual currencies. In the process of expanding overseas markets for Chinese mobile payment companies, this can be regarded as a way to reduce costs.

5.3 Invest in r&d Technology

NFC technology. NFC technology is a near-field technology, a near-field payment method that realizes payment through smart terminals, and is expected to become an important mobile payment method. Compared with QR code payment, NFC payment is more secure and convenient for the payer, but the mobile phone needs to have NFC function. Other devices with NFC function such as smart bracelets have the same effect. For the payee, a built-in chip is required. Terminal equipment, and QR code payment only requires a QR code, and the cost is very different. It is currently only promoted in the field of public transportation. The mobile payment method required by public transportation must be convenient and fast. Although QR code payment is in the general payment process China is convenient enough, but it is still not smooth enough in public transportation. Therefore, the more convenient NFC payment has played its advantages. Compared with traditional payment methods, the biggest feature of mobile payment is that it is convenient and fast, and NFC payment is more convenient than QR code. Payment is more convenient and faster for the payer. If NFC technology becomes more mature in the future and smart terminals with built-in chips are cheaper, NFC payment is expected to become an important mobile payment method.

New software development. 4G has brought us many new software. With the popularity of 4G, the concepts of online shopping and e-commerce have gradually become familiar to the public. Mobile payment has also become popular. Without 4G network, there can be no mobile payment. Although the 5G era has just At the beginning, but many applications or concepts have been proposed. These new applications or ideas may change users' living habits and thus change people's payment methods. Some applications will directly change mobile payment methods. China is developing 5G technology. Already leading, if Chinese mobile payment companies can take advantage of this opportunity to develop new mobile payment-related software first, they will also gain a huge competitive advantage in overseas markets.

6. Conclusion

China Mobile Payment has developed well in China. Based on superior mobile payment technology, going overseas to achieve internationalization is the general direction of China's mobile payment companies. The development prospects are promising. Risks and resistances always coexist with opportunities. China Mobile Payment Under the many obstacles and risks, companies carefully choose target countries, make good use of economic marketing methods, invest in research and development of new technologies, adapt to the differences between overseas markets and the Chinese market, and make the road to overseas market expansion smoother.

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