

Introducing the Star of Chinese Payment Methods: Alipay - Tribune by Jordan Graison from Limonetik

Already famous in China and elsewhere around the world, Alipay, the most widely used online wallet in Asia, is building up its presence in Europe.

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Once considered exotic, the name is appearing inconspicuously on more and more storefront windows and doors. Businesses in Europe should consider the potential when using this payment method. With a customer base 400 million strong, [Alipay](#) alone represents 50% of all online shopping in China. As the number of Chinese tourists in Europe increases by 100% annually, this tool is offering a wealth of business opportunities for retailers and e-merchants.

An ultra-simple virtual wallet

From taxi fare to the water bill, to purchases in small shops, or traffic tickets—online as well as in the physical world—Alipay can be used for almost any transaction. Such incredible flexibility puts this e-wallet at the centre of daily life in China. Witness the staggering figures: over 176 million transactions per day, peaking at one billion orders processed on 11th November 2016, dubbed “Singles Day,” a huge shopping fest organised by Ali Baba since 2009.

Whether as a mobile or a PC app, Alipay is a cinch to use. To take advantage of its features, users simply register on a dedicated web page and create their profile. On the retailer end, payment is made by using a QR code. Once the retailer activates the customer’s virtual wallet, he or she simply has to enter the Alipay password to complete the transaction, and the sum is released.

Besides making the payment step easier all round, the “super” wallet boasts actual intelligence through different apps, making it possible to calculate the financial health of users as well as their payment habits. Based on a given score, consumers can enjoy additional benefits, such as a credit line awarded in record time (through Zhima Credit and Hua Bei!) or access to savings plans such as Yu’eBao which, since 2017, is the world’s biggest private fund management firm with over US\$165



billion in assets. Most recently, Alipay has gone as far as integrating into its app a module for making contributions to a Chinese reforestation programme.

Although few shops or e-merchants offer this payment method in Europe, the European wouldn't want to miss out on new customers who seem keen to spend. They can no longer ignore Alipay if they want to attract not only a tourist market but also some 2,400,000 local consumers from the Chinese diaspora.

A major challenge for Europe merchants

If accepting Alipay opens up possibilities for a whole new customer base, European retailers must also be ready to face the changes that lie in store. Although the Alipay payment method can only be used by Chinese buyers for the time being, retailers should understand, and adapt to, the habits and customs of this population and change their sales logic accordingly. This, of course, involves not only translating online sales sites into Chinese, but also establishing a "click and collect" system allowing users to pay for their purchases online and retrieve them in a brick and mortar store. With the Chinese ready to travel to European countries at the drop of a hat, success depends crucially on responsiveness, practicality and the uniqueness of the product offerings.

Not only should the user experience be seamless, but the offering of goods and services must cater to a customer base that has a particular yen for luxury goods. For this industry in particular, accepting to use Alipay becomes a business strategy, considering that it opens a door to the grey market (called "daigou")—the resale in China of luxury goods purchased overseas.

The problem is that Alipay is not a European-based payment institution. To operate in Europe in compliance with regulations, the company needs European partners to collect payments on behalf of a third party. This makes integration into e-commerce sites more complicated. But there is good news: a few disruptive electronic money institutions or FINTECHs are beginning to offer solutions permitting use of this e-wallet.

Alipay is aware of all the facts and figures on its users, ranging from their daily expenses to the state of their health. Hence, this accumulation of information has transformed the e-wallet into a new sort of Big Brother. But how will people react? How will the new regulations, such as the General Data Protection Regulation (GDPR), impact the business model of this giant? What is certain, is that security and data management are essential issues for Alipay.

Alipay sets out to conquer the West!

Forrester, a leading research firm, announced recently that cross-border e-commerce will increase by 20% through 2022, reaching US\$627 billion, with China leading the boom.

Although Alipay is widely used in China, it is important to point out that a large part of the population has not yet made the move. Traditionally used to non-cash "scriptural" bank money (a Chinese invention), the Chinese are in a transitional phase, with 55% of transactions in 2013 being cashless, according to some studies. Whereas the urban middle and wealthy classes are using the e-wallet, practices in the countryside are otherwise. Indeed, the rural Chinese, about 50% of the population, are not yet affluent enough to use Alipay, which requires the use of a smartphone and is costly (according to Nielsen's figures, only 40% of Chinese own a smartphone). Alipay is therefore changing the way the Chinese relate to cold hard cash, but the process is long.

Having already won over more than half of the Chinese population, Alipay has become an essential payment method for European merchants who seek to expand internationally. Even though the e-wallet will offer a major opportunity for retailers, adopting it will involve some profound strategic

changes. Its predominance is now indisputable but there is still a long way to go before it becomes a global payment method.

Corinne ESTEVE DIEMUNSCH
LIMONETIK
+33 1 75 77 01 12
email us here

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