

AN ANALYSIS OF MARKETING STRATEGY OF ALIPAY AND WECHAT PAY IN CHINA

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MARKETING STRATEGY

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Summary

The objective of this thesis is to analyze and compare marketing strategy of Alipay and WeChat Pay in the Chinese market. The methodology adopted to conduct the analysis includes company information, industry data and statistics, and case study.

Chapter 1 looks at the basic information and background of the industry where the two companies belong to. It introduces the development history of Chinese third-party payment industry, government regulations, also profit model and major method of third-party payment. Based on the background, it also talks about the reason to choose these two platforms and current situation of them, as Alipay and WeChat Pay are two most popular and used payment applications which are indispensable for living in China at present and those two are major players in the market, meanwhile strong rivals for each other.

Chapter 2 compares Alipay and WeChat Pay from several aspects of development processes, features, functions, and respective core competence through the approaches of SWOT analysis and historical facts. WeChat Pay's core competence is social interaction and huge amount of traffic because Tencent is strong at social networking and games; while security and comprehensive ecosystem are a core competence of Alipay due to the strength in e-commerce and finance of Alibaba.

In chapter 3, two case studies are picked up to discuss and explore the competitive strategies between Alipay and WeChat Pay. The first case study is about Red Envelope War, where "red envelope" is a unique function and also represents a series of marketing promotion campaign that created based on Chinese traditional custom. In this case study, one of the highlight points is that thanks to red envelope campaign, WeChat has rapidly grown into a strong competitor to Alipay in a short period of time and became a major player in the third-party payment industry. Moreover, the red envelope war succeeds to blur the boundaries between two platforms of its distinctive features. Alipay also achieved more social networking connections through this campaign. The second case study goes through a series of strategic investments of both companies. In order to expand the O2O market and increase own competence, two giants have been aggressively investing in the various business, especially startup companies within a new market. Begin from Alibaba investing in Sina Weibo and Tencent investing in JD.com, two companies have been continuously going on the cash-burning war in the ride-hailing market, food delivery market and bike-sharing market one after another.

Chapter 4 concludes the achievement and main points of the analysis and gives

recommendations on further development of two platforms. It also looks forwards to the opportunities of global expansion, at the same time the challenges that brought about by overseas market.

<Inside Cover>

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CHAPTER 1. INTRODUCTION AND BACKGROUND

SECTION 1.1 CHINESE THIRD-PARTY PAYMENT INDUSTRY

1.1.1 Definition and development

With the rapid development of e-commerce and information technology, the demand for third-party payment service has been greatly increased in China. As the technology and function of payment services have kept changing and innovating, the role that third-party payment plays in the market has gradually transformed from an online intermediate transaction platform into an independent online and offline payment platform. Led by Alipay, third-party payment has significantly changed traditional patterns of payment in recent ten years in China.

Third-party payment is that third-party independent institutions with certain strengths and creditworthiness provide the platform connecting with bank payment and settlement system to support transactions. It adopts the way of signing with major domestic and foreign banks, and completes the transactions by means of online payment instruments or bank card.¹ In the transaction through the third-party platform, the buyer firstly makes the payment to the third-party payment platform by using their accounts after selecting the goods, and then the third party informs the seller to deliver goods. After receiving and checking the goods, the buyer will inform the third party to finish the payment, and then the third party will transfer the payment to the seller.

In 2010, the People's Bank of China, the central bank of People's Republic of China, released "Administrative Measures for the Payment Services Provided by Non-financial Institutions"²

¹ *China Third-Party Payment Market Foresight And Investment Strategy Report, 2015-2020*. Rep. Bg.qianzhan.com.

² "非金融机构支付服务管理办法." *www.gov.cn*, 21 June 2010. Accessed 6 May 2017.

based on “Law of the People’s Republic of China On the People’s Bank of China” and other relevant regulations and laws. This policy has standardized the third-party payment in China, which is the first time for the government to bring third-party payment industry under national supervision and regulation. It defines the business services of third-party payment as follows, and will issues “Payment Business Permit”³ for those non-financial institutions:

- a. Payment through the network;
- b. Issuance and acceptance of prepaid cards;
- c. Bankcard acquiring
- d. Other payment services specified by the People’s Bank of China include mobile phone payment, internet payment, digital TV payment, fixed phone payment, etc.

1.1.2 Profit model

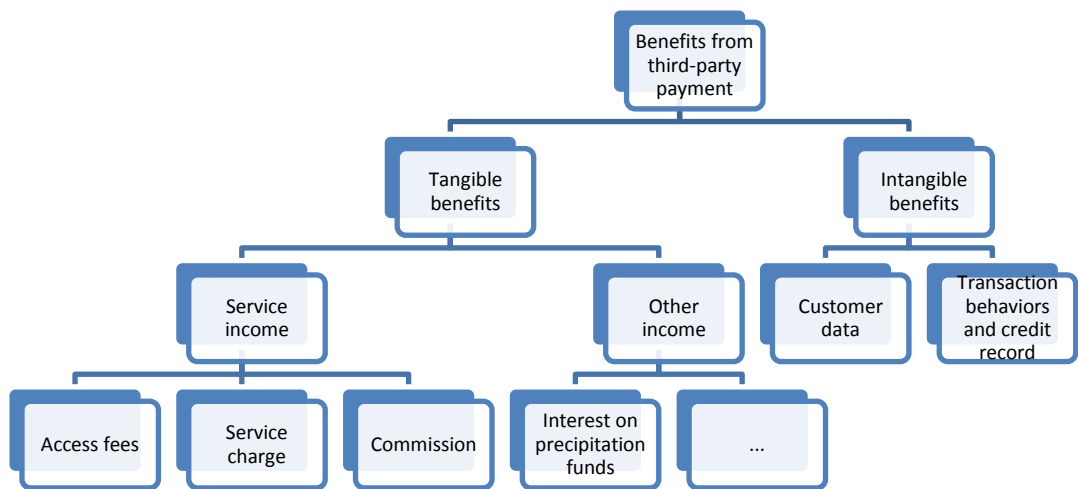
The profit of third-party payment institutions can be divided into two parts: tangible and intangible benefits. Tangible benefits include service income, such as service charge, access fees and commission; and other income, such as interest on precipitation funds. Intangible benefits include customer data, transaction behaviors and credit record (Figure 1.1). Tangible benefits can contribute to intangible benefits by optimizing information system and enriching data information. Simultaneously, accumulation of data and information can also be conducive to saving cost and generating revenue by increasing trading opportunities and expanding transaction size.⁴

<http://www.gov.cn/flfg/2010-06/21/content_1632796.htm>.

³ “支付业务许可证” www.gov.cn, 21 June 2010. Accessed 6 May 2017.

<http://www.gov.cn/flfg/2010-06/21/content_1632796.htm>.

⁴ "2015 Third-party payment industry development research report, 2015 年第三方支付行业发展研究报告." 19 Apr. 2015. Accessed 6 May 2017. <<http://www.wyzhifu.com/zfgongsi/881.html>>.



Source: www.wyzhifu.com

Figure 1.1 Profit model of third-party payment platform

1.1.3 Development history and current situation

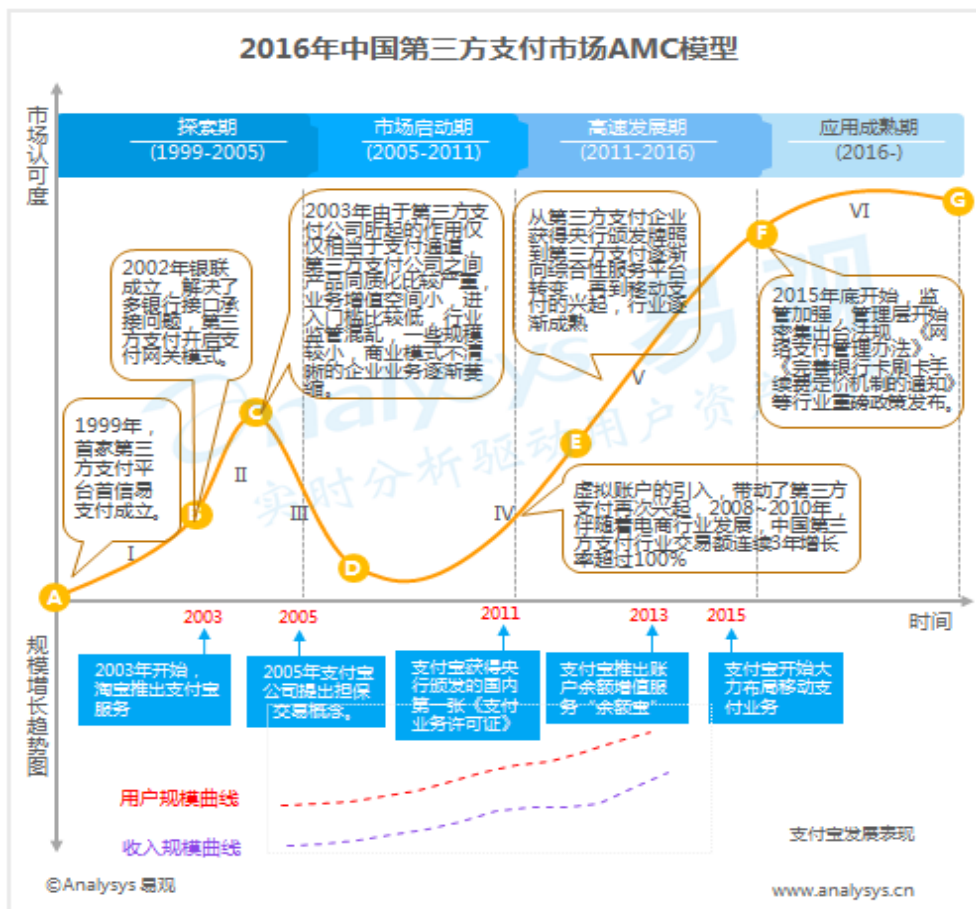


Figure 1.2 2016 Chinese third-party payment market AMC model

AMC (application maturity curve) Model is researched and developed by *Analysys*, a Chinese Internet large data analysis products and service providers, based on its rich experience in industry research for many years. AMC model aims to objectively present development process of product or application, to describe industry development stage, and to forecast the industry trend in the future. The model mainly describes the maturity of industry development through the market recognition of product or application. The degree of market recognition can be measured through three indicators, including users' intentions and attentions, willingness to pay of users and sponsors, and willingness to invest of investors. The model divides the development process into four periods: exploratory period, market start-up period, rapid developing period, and mature period.⁵

According to *Analysys*, based on the AMC Model, the development history of third-party payment industry in China can be divided into above four periods. Furthermore, after years of development, current Chinese third-party payment industry is about to enter the last period: mature period.⁶

Exploratory period (1995-2005)

The earliest third-party payment institutions in China firstly appeared around 1999. They are Shanghai Huanxun Electron Business Limited Company established in 2000 and Beijing Shouxin Company Limited established in 1998. PayEase, the third-party payment platform launched by Beijing Shouxin in March 1999, as the first independent B2C payment platform, marks the beginning of Chinese third-party payment industry. PayEase

⁵ Xunzou. "AMC Application maturity curve model, AMC 应用成熟度曲线模型." 29 Mar. 2016. Accessed 10 May 2017. <<http://www.jianshu.com/p/2faa7856ab9b>>.

⁶ Wang, Pengbo. "Analysys: 2016 Chinese third-party payment market AMC model analysis, 易观: 2016 年中国第三方支付市场 AMC 模型分析." *Analysys*, 16 Mar. 2017. Accessed 15 May 2017. <<https://www.analysys.cn/analysis/22/details?articleId=1000631>>.

supports multi-functional online transaction services for a variety of cross-bank and cross-regional bank card and makes profits by the service charge.⁷ In 2002, China UnionPay was founded in Shanghai. As a financial service association for China's bank card industry, it is operated under the People's Bank of China. Up to now, UnionPay has become the largest card payment association in the world and is the only network that connects all the ATMs of all banks in China. In 2003, Alipay was launched in China by Alibaba Group, as the third-party online payment platform for the online shopping site Taobao.

Market start-up period (2005-2011)

Since the debut of Alipay, Chinese third-party payment market began to enter a phase of accelerated development from 2005. In 2005, as the world's largest third-party transaction platform, PayPal began to enter the Chinese market and grab the market share. In the same year, around 50 third-party payment companies entered the market. In 2008 and 2009, the whole market was presenting an explosive growth. The market size of third-party payment in 2005 was 16.3 billion Chinese Yuan. In 2009, however, the market size soared to 580.8 billion Chinese Yuan.⁸ During this period, the annual growth rate was all over 100%.

Rapid developing period (2011-2016)

In 2010, the introduction of the policy "Administrative Measures for the Payment Services Provided by Non-financial Institutions" marked the beginning of legalization of

⁷ "About Us." *PayEase*. Accessed 16 May 2017. <<http://www.payeasenet.com/>>.

⁸ *Third party payment development status quo*, 第三方支付发展现状. 28 Dec. 2014. Accessed 16 May 2017. <<https://wenku.baidu.com/view/1d99d54daaea998fcc220eb1.html>>.

Chinese third-party payment industry.⁹ At this stage, the legalization and standardization of the industry have greatly promoted the healthy and sustainable development of third-party payment business in a fair and open environment. The release of this policy raised the market entry threshold for the industry. Since May of 2011, when the first group of 27 institutions has been received the Payment Business Permit issued by the People's Bank of China, until May of 2017, 260 institutions in total have been issued the permit.¹⁰

Another landmark event in this period is the introduction of Yu'E Bao, a money fund product sold on the platform of Alipay after Alipay received the sales license. Yu'E Bao became a hot sale Internet finance product because of its relatively higher annual interest rate. Since then, those value-added services have become standard products for third-party payment platform, which marked the beginning of the transformation from individual payment platform to comprehensive platform.¹¹

In 2013, IT company Tencent jointly introduced WeChat Pay with third-party payment platform Tenpay on WeChat version 5.0 in August.¹² For the market leader Alipay, the rapid development of WeChat Pay with great potential has made WeChat Pay become a strong competitor.

In 2014, as a whole, third-party payment industry began to transfer into mobile payment

⁹ Chen, Ying. *Third Party Payment Development and Its Impact on Commercial Banks*, 第三方支付发展及其对商业银行影响研究. Diss. Anhui University, 2014.

¹⁰ "Licensed institutions (payment agencies), 已获许可机构 (支付机构)." THE PEOPLE'S BANK OF CHINA. Accessed 16 May 2017. <<http://www.pbc.gov.cn/zhengwugongkai/127924/128041/2951606/1923625/1923629/d6d180ae/index1.html>>.

¹¹ Wang, Pengbo. "Analysys: 2016 Chinese third-party payment market AMC model analysis, 易观: 2016 年中国第三方支付市场 AMC 模型分析." *Analysys*, 16 Mar. 2017. Accessed 15 May 2017. <<https://www.analysys.cn/analysis/22/details?articleId=1000631>>.

¹² "WeChat 5.0 releasing on August 5 payment function officially launched, 微信 5.0 八月五日上线 支付功能正式推出." Tencent, 7 Aug. 2013. Accessed 25 May 2017. <http://hn.house.qq.com/a/20130807/000023_all.htm>.

age. The rise of new e-commerce model O2O (online to offline), which the concept is referring to online marketing and shopping drive the offline business, has contributed to the growth of mobile payment.¹³ Through O2O, the promotion, information, service booking of offline shops will be distributed to Internet users via online platform; so that those shops can convert those online customers into their offline customers. This model is particularly suitable for business, such as restaurant, gym, movie theater, beauty salon, department stores, etc.

The area of offline payment has strongly developed, covering a wide range of payment scenes, such as restaurant, supermarket and so on. The habit of using mobile payment in offline shops has been formed initially and is penetrating into low line cities rapidly. According to the research data, the use rate of mobile payment in offline shops has reached 43.5%, 38.0% and 31.7% in four-tier, five-tier cities, and rural area respectively.¹⁴

On the other hand, regarding the area of online payment, third-party payment companies continue to deepen the cooperation with all levels of government, public service agencies and communities, and mainly finished the establishment of the online payment system for a full range of people's livelihood services. People can easily use third-party payment platform to pay the conventional livelihood services, such as utility fees, property fees, Internet network fees, cable TV fees, etc. At the same time, automatic reminder function also has been added to the online payment system, which makes the services more

¹³ Wang, Pengbo. "Analysys: 2016 Chinese third-party payment market AMC model analysis, 易观: 2016 年中国第三方支付市场 AMC 模型分析." *Analysys*, 16 Mar. 2017. Accessed 15 May 2017. <<https://www.analysys.cn/analysis/22/details?articleId=1000631>>.

¹⁴ *China Statistics Report on Internet Development*. Rep. No. 39. CNNIC, Jan. 2017.

intelligent and convenient. In addition to the basic livelihood service payment, other convenient public services can also be paid on the platform, such as medical registration, the penalty for a traffic violation, educational fees and so on. It has greatly raised the efficiency of public service agencies and solved the inconvenience of on-site payment.

1.1.4 Mobile payment

In terms of payment method, mobile payment and internet payment are two major methods of third-party payment. Mobile payment refers to payment behaviors operated through mobile terminal equipment, such as mobile phone, e-books, PSP, etc., based on wireless communication technology (Bluetooth, NFC, RFID, mobile Internet, SMS, infrared, etc.). Internet payment refers to transactions through desktop PC or portable PC based on the Internet access.¹⁵

2014 is the year while mobile payment was greatly growing and flourishing. Due to the explosion of usage of mobile payment, the brand new method of Internet finance has been tending to revolutionize the traditional financial industry, as well as people's daily life. Since Chinese electronic payment industry started relatively later and has still been developing, traditional bank card payment was occupying the main position in 2012. According to Figure 1.2, in 2012, bank card payment had the highest proportion of 68.8%; followed by the Internet payment, accounting for 28.3%; mobile payment had made some development, accounting for 1.2%. With the booming popularity of smartphone and diversity of mobile applications in the Chinese market, mobile payment has experienced dramatic growth. The major payment method of third-party payment has been gradually transferring from PC to mobile device. The transaction size of third-party mobile

¹⁵ *Chinese Third-Party Payment Industry Annual Monitoring Report*, 中国第三方支付行业年度监测报告简版. Rep. IResearch Consulting Group, 2013.

payment was 79.9 billion Chinese Yuan in 2011 and 151.1 billion Chinese Yuan in 2012. When it came to 2014, the transaction size was greatly increasing to 5992.5 billion Chinese Yuan by 391.3% comparing to that in 2013. (Figure 1.3) By 2016, the transaction size of the first quarter has already reached to 6201.1 billion Chinese Yuan. (Figure 1.4)

According to Analysys International Enfodesk, it is reported that 64.8% of retail and C2C e-commerce sales in Q4 2015 was made through mobile, which dramatically surpassed the proportion that made through desktop or laptop with 35.2%. Compared with 55.5% in the previous quarter, it was the first time that sales by mobile payment became the majority of total retail and C2C e-commerce sales. (Figure 1.12)

In summary, the opening of the new era of “cashless society” has already become a fact in China. Mobile payment has become an increasingly important and popular payment method because of its high convenience and a strong advantage in covering both online and offline payment environments. According to the report on Chinese internet development posted by CNNIC in 2017, by the end of 2016, the scale of Chinese mobile payment users has rapidly grown, reaching 469 million Chinese Yuan; and the annual growth rate is 31.2%. Among the Internet users, the proportion of paying by mobile phone was increasing from 57.7% to 67.5%. Mobile payment has been penetrating into the area of offline payment in a fast path, which has enriched the payment scenes. 50.3% of the Internet users process the payment through mobile phone. (Figure 1.6)



Source: iResearch Consulting Group

Figure 1.3 2009-2016 Chinese third-party payment industry transaction structure



Source: www.wyzhifu.com

Figure 1.4 2011-2014 Chinese third-party mobile payment transaction size

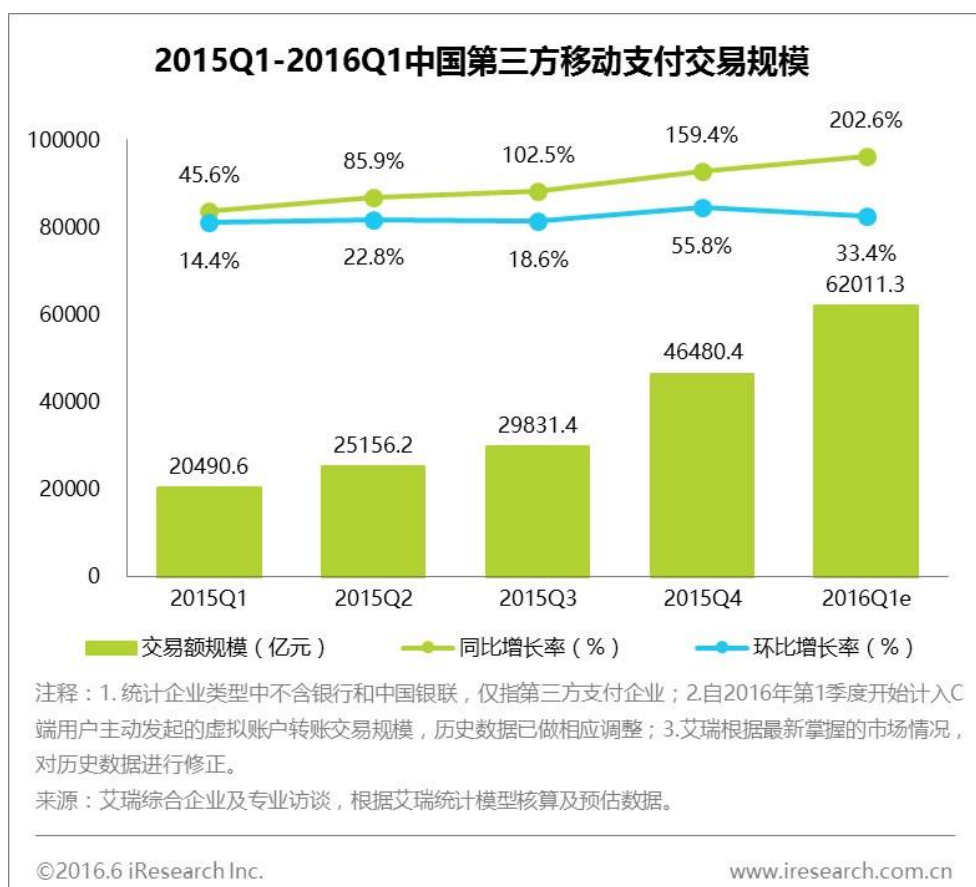


Figure 1.5 2015Q1-2016Q1 Chinese third-party mobile payment transaction size



Source: China Internet Network Information Center

Figure 1.6 2015.12-2016.12 User size and use rate of Internet payment and mobile payment

1.1.5 The collaboration and competition between third-party payment and commercial banks

With the continuous expansion of business range and rapid growth of transaction size, the whole third-party payment industry has made Chinese commercial banks facing great pressure. In nature, there are overlaps in the fundamental businesses and client base between commercial banks and third-party payment platforms. As a result of that, due to the convenience and advantages of third-party payment, commercial banks' monopoly position has been changed and been facing severe challenges in terms of customer loss and capital loss, especially in the field of online banking. Though, those challenges also have given impetus to transformation and upgrading of commercial banks. It can be stated that collaboration and competition are existing simultaneously between two parts, and they should find the way to maximize the mutual benefits so that can contribute to the entire Chinese economy. Traditional commercial banks can also improve their competence and obtain sustainable long-term progress through collaboration and competition.

Regarding the competition, third-party payment platforms cannot replace the dominant position of commercial banks. Start with three aspects concerning commercial banks' main business. Firstly, in the area of assets business, third-party payment platforms took away a part of bank's loan business. However, the target customers of third-party payment platforms are mainly individuals and small micro companies, which is different from that of commercial banks. Thus, third-party payment will not constitute a huge threat to banks. Secondly, in the area of liability business, third-party payment's provisions and finance products, such as Yu'E Bao, has transferred a part of deposits from commercial banks. Whereas, it can only influence a small number of deposits, which still will not greatly threaten to banks. Thirdly, regarding intermediary business, the convenience of

third-party payment took away a portion of profits from commercial banks in terms of settlement and agency business, replacing the position of banks on a small scale.¹⁶

In terms of collaboration, with their respective advantages, they are complementary to each other and each owns sphere of competence. Third-party payment platforms have more advantages in customer stickiness, personalized services and credit intermediation based on big data. While commercial banks own brand, human resource, social resource with full financial license, as well as huge customer resources and capability of risk control.¹⁷ By analyzing their advantages and disadvantages, it can be concluded that they should strengthen cooperation, promote finance innovation and expand the business area.

SECTION 1.2 ALIPAY AND WECHAT PAY

Up to now, Alipay and WeChat Pay are two giants in the field of third-party payment, occupying the dominant positions in the Chinese market. Generally speaking, in the first quarter of 2017, Alipay and WeChat Pay together made up 93.21% of transaction share of mobile payment market. (Figure 1.9) For two giants, they are both major strong rivals for each other.

When Alipay was first introduced into the market in 2003, the third-party payment industry was still at the initial stage of development. With the popularity of online shopping site Taobao, Alipay spontaneously became the market leader in this field. In 2013, according to Figure 1.7, Alipay achieved the top one position of transaction share in the third-party mobile payment market, accounting for 57.3%. At that time, WeChat Pay was just launched by Wechat and TenPay, so that it

¹⁶ He, Liuni. *Third-Party Payment Impact on Commercial Bank Profitability*. Diss. South China Agricultural University, 2017.

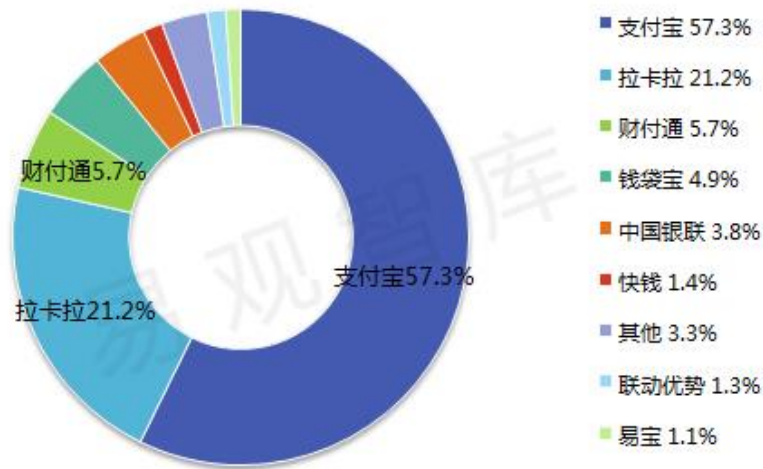
¹⁷ Sui, Fangwei. *The Study of The Impact Which Is Made by Third Party Payment on The Development of Commercial Banks' Business*. Diss. Chengdu U of Technology, 2017.

only had 5.7% of market transaction share. Thanks to its massive user base, WeChat Pay expanded rapidly. The transaction share of WeChat Pay has increased to 23.03%, reaching the second position, by the first quarter of 2016. Due to the growth of the whole industry, in 2016, Alipay continues to expanding, making up for 63.41% of market transaction share. (Figure 1.8) By the end of the first quarter of 2017, though, Alipay has still led the market share, WeChat Pay has become a strong competitor to Alipay with the transaction share of 39.51%; while the transaction share of Alipay has a bit declined to 53.7%. (Figure 1.9)

As the gap between Alipay and WeChat Pay has been annually shrinking, WeChat Pay has aggressively taken action to expand its business and taken full advantages of its user base. It is announced that WeChat Pay has greatly expanded in the field of offline payment market. By the end of October 2016, there have been about 90 thousands stores applying WeChat Pay all over the world, covering over 95% offline business, such as state-owned gas stations, chain restaurant and so on.¹⁸ Report on *Internet Trends 2017* released by KPCB has pointed out that 31% of WeChat users make payment through WeChat Pay in 2016, while there was only 15% in 2015. (Figure 1.10) Furthermore, the report also estimates that the frequency of usage of monthly payment transactions per user is over 50 times and over 10 times for WeChat Pay and Alipay respectively, which means people use WeChat Pay to make payment 5 times more than using Alipay. (Figure 1.11)

¹⁸ Dong, Siyi. " Mobile payment war upgrade, WeChat Pay offline share has exceeded Alipay, 移动支付大战升级微信支付线下份额已超过支付宝." *CBNWeekly*, 20 Jan. 2017. Accessed 20 May 2017. <<https://www.cbnweek.com/articles/normal/15674>>.

2013Q2中国第三方支付市场移动支付交易额份额



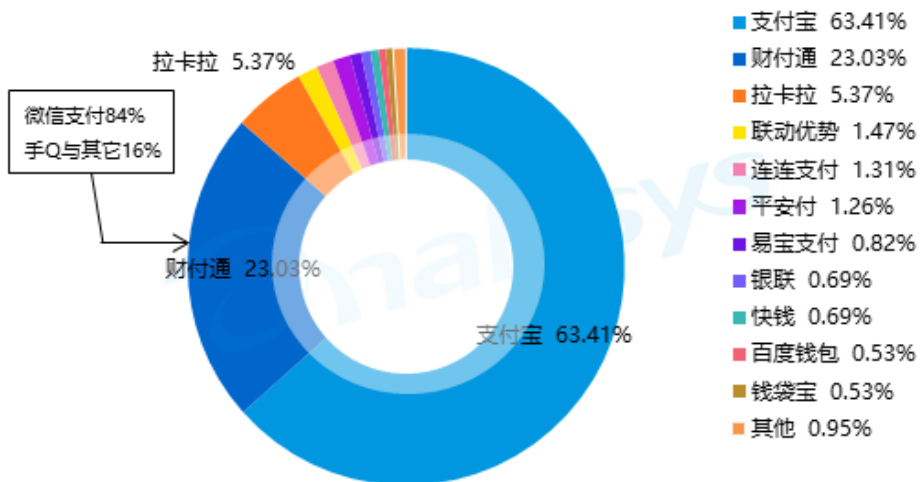
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Figure 1.7 2013Q2 Chinese third-party mobile payment market transaction share

2016年第1季度中国第三方移动支付市场交易份额



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Figure 1.8 2016Q1 Chinese third-party mobile payment market transaction share

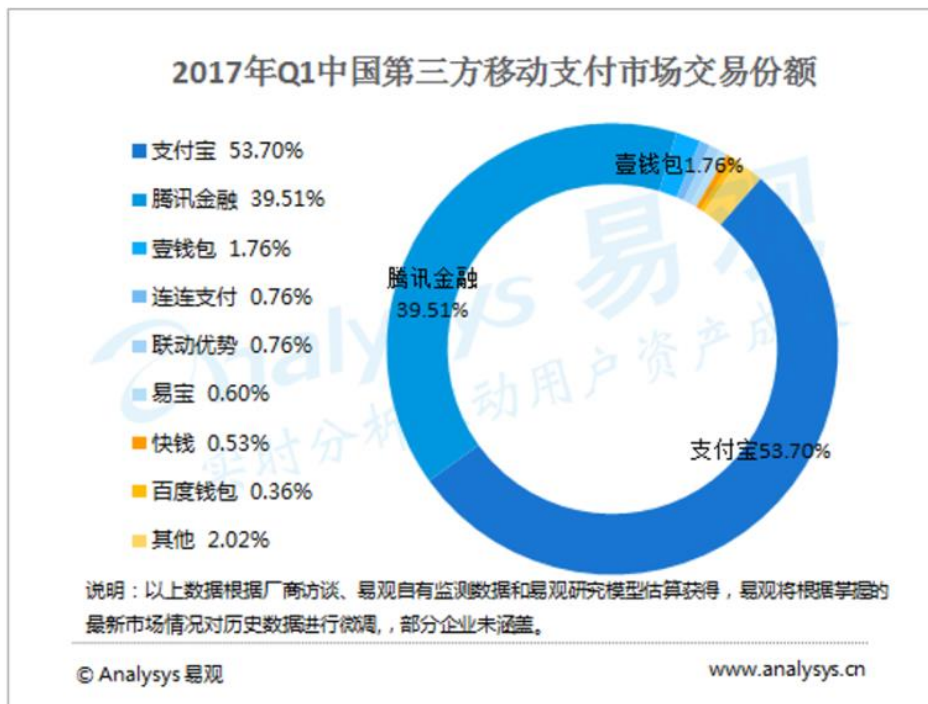
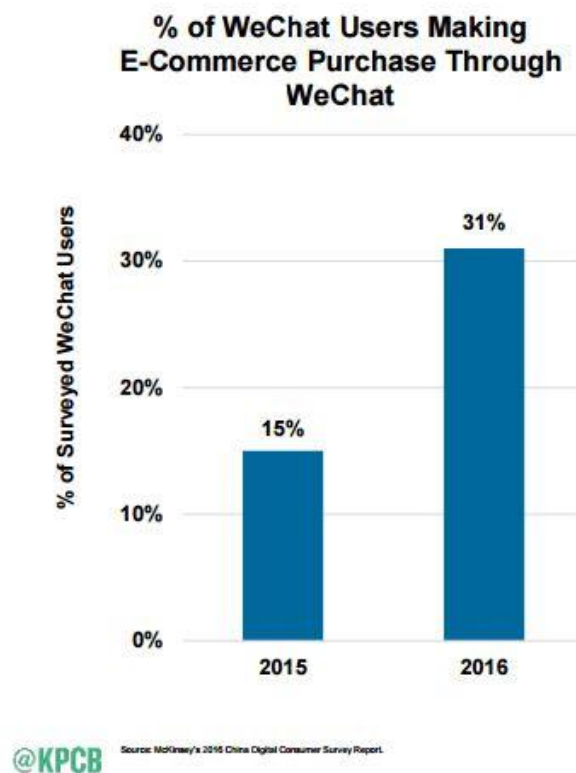
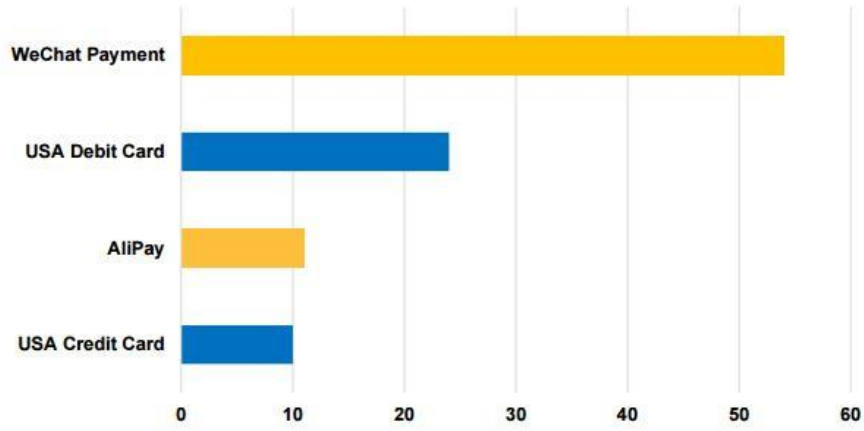


Figure 1.9 2017Q1 Chinese third-party mobile payment market transaction share



Source: McKinsey's 2016 China Digital Consumer Survey Report
 Figure 1.10 The proportion of WeChat users making E-commerce purchase through WeChat

Estimated Monthly Payment Transactions per User



Source: US debit and credit card data defined as number of payments (including online and offline) a month per active general-purpose card. Active cards are those used to make at least one purchase or bill payment in a month. Data per 2015 Federal Reserve Payments Study. AliPay / WeChat/Pay data per Hillhouse estimates. WeChat data includes peer-to-peer payments such as virtual Red Envelopes.



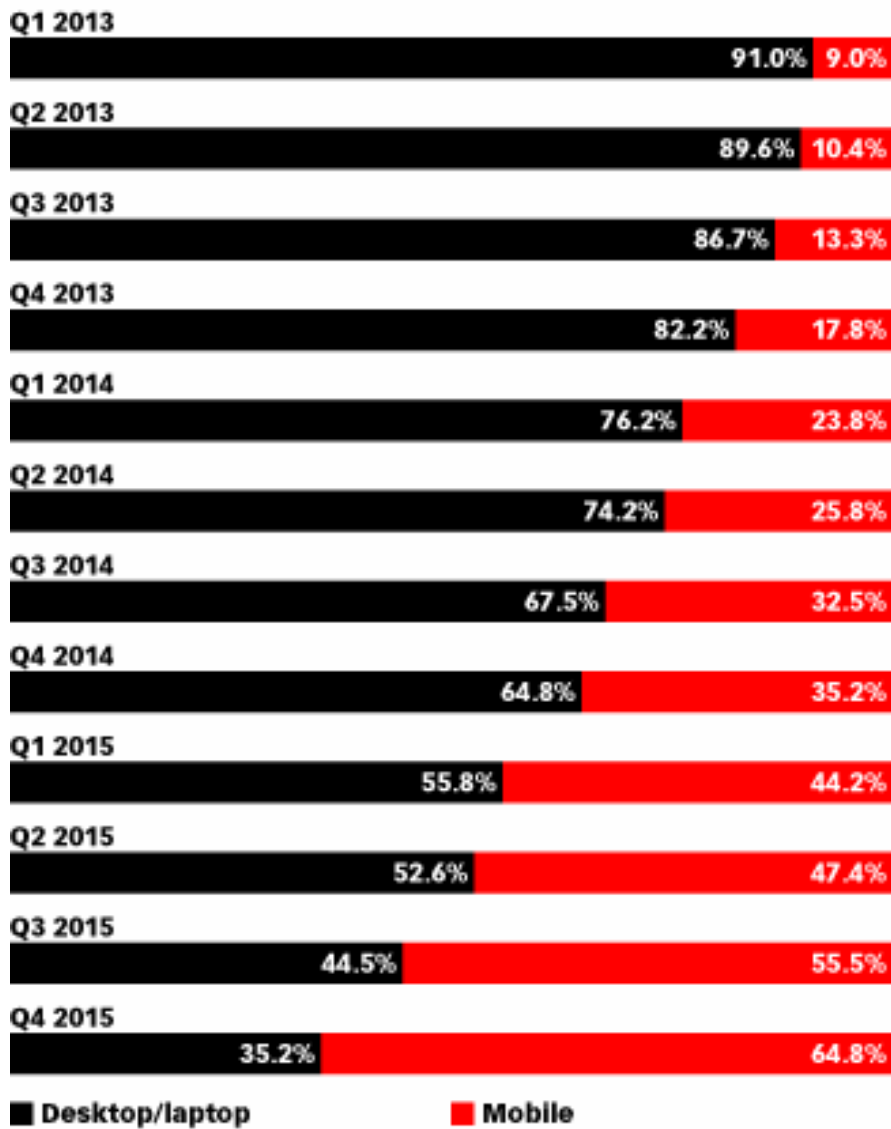
Hillhouse Capital

Source: Internet Trends 2016

Figure 1.11 Estimated monthly payment transactions per user

Retail and C2C Ecommerce Sales Share in China, Desktop/Laptop vs. Mobile, Q1 2013-Q4 2015

% of total



Note: excludes travel

Source: Analysys International EnfoDesk, "Q4 2015 China Mcommerce Market Quarterly Report" as cited in press release, March 11, 2016

207103

www.eMarketer.com

Figure 1.12 Retail and C2C Ecommerce sales share in China

CHAPTER 2. COMPARISON BETWEEN ALIPAY AND WECHAT PAY

SECTION 2.1 ALIPAY

2.1.1 Development history

Alipay was launched in 2004 in mainland China by Alibaba Group, China's largest e-commerce retail company. It has become the world's largest third-party mobile and online payment platforms in 2013 with the total value of 148 billion, surpassing PayPal of 27 billion for its value.¹⁹ By the end of June 2015, as the market leader in the Chinese market, Alipay owns about 400 million active unique users.²⁰

At very first in 2003, due to China's incomplete consumer protection laws and lack of confidence in C2C and B2C market, Alipay was introduced as the third-party payment platform specially designed for e-commerce retail site Taobao, in order to provide an intermediary transaction platform for customers and sellers to protect each other's right and security and also to control the quality on the online shopping platform. In December 2004, Alipay.com started to go live; Alipay Company was officially established and operated as an individual company separating from Taobao.²¹ In 2005, "full compensation" system was launched with the slogan saying "As long as you use Alipay, we will compensate you in the case of account theft".²²

¹⁹ Shah, Asim. "Alipay Surpasses PayPal as Leading Mobile Payments Platform." *Bobsguide*. 12 Feb. 2014. Web. 25 May 2017. <<http://www.bobsguide.com/guide/news/2014/Feb/12/alipay-surpasses-paypal-as-leading-mobile-payments-platform/>>.

²⁰ "About Alipay." *Alipay*. Accessed 25 May 2017. <<https://ab.alipay.com/i/jieshao.htm>>.

²¹ Li, Yaxin. "Alipay development process and the impact of domestic third party payment, 支付宝的发展历程及对国内第三方支付的影响." *Periodical 1* (2010): 26-27.

²² "Our History." *Ant Financial*. Accessed 25 May 2017. <<https://www.antfin.com/history.htm>>.

Since 2004, Alipay has been working with 200 more financial partners, offering financial services, especially for small and micro enterprises. Alipay started to establish strategical cooperation with Chinese major commercial banks: the China Merchants Bank in June 2005, the Industrial and Commercial Bank of China in March 2005, the Agricultural Bank of China in March 2006. Until 2009, Alipay has been working with 15 national banks and 5 major state-owned banks. Furthermore, Alipay also began to cooperate with VISA in 2005. In October 2006, “Client transaction trusteeship report” was issued for Alipay by the Industrial and Commercial Bank of China, which improved the credit of Alipay and made consumers feel more safe about Alipay’s transaction.²³

By September 2007, Alipay had achieved 50 million users, whereas at that time there were only 30 million credit card users in China.²⁴ Meanwhile, Alipay announced its beginning of the overseas expansion, cooperated with the Bank of China and China Construction Bank. Within only one year, the number of Alipay’s users had reached 100 million by September 2008, which doubled that number of 2007.²⁵ In the same year, Alipay released mobile payment service platform and utility payment platform. Shanghai became the first city where people could pay for utilities online. In 2009, the 5th anniversary of Alipay with the achievements of 5 million daily transactions and 200 million users,²⁶ the mobile payment service was formally launched on the market.

At the end of 2010, a new innovative product, quick payment with credit card, was released jointly by Alipay and the Bank of China. In the next year, the users of quick payment had already

²³ "Our History." *Ant Financial*. Accessed 25 May 2017. <<https://www.antfin.com/history.htm>>.

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ *Ibid.*

over 40 million, and about 50% of transactions on Alipay were conducted through quick payment, while the quick payment service had established cooperation with ten banks.²⁷

As Alipay received the first license for third-party payment business in the industry, 2011 became a banner year for Alipay. In the same year, Alipay was the first one to enter offline payment market using online payment technology with the launch of new mobile payment product, adding barcode payment method. In May 2012, as a third-party payment platform, Alipay received the second license for fund transaction issued by China Securities Regulatory Commission.²⁸ After obtaining the license, Yu'E Bao was officially released in June 2013, cooperation with Tianhong Asset Management. Customers can purchase wealth management product on Alipay from 1 Chinese Yuan.²⁹ Later in 2013, with the continuous technology development, Alipay added a new payment method, Sound Wave payment, in offline shopping. Additionally, in terms of overseas expansion, Alipay introduced tax-refund service from Korea.

In 2014, Ant Financial Services Group ("Ant Financial") was officially established in October, originated and renamed from Alipay. Its vision is "bringing small and beautiful changes to the world," targeting at individual customers and small and micro enterprises by providing creative open ecosystem and comprehensive financial services, particularly in the Internet age. The products of Ant Financial include Alipay, Ant Financial Cloud, Ant Fortune and other services, covering a variety of business fields, such as wealth management, payment, cloud computing, credit reporting and private bank.³⁰ In this year, Alipay launched several public programs, such as "Hospital of the

²⁷ "Our History." *Ant Financial*. Accessed 25 May 2017. <<https://www.antfin.com/history.htm>>.

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ *Ibid.*

Future" and "Bus of the Future". In July, Alipay Wallet introduced new technology, fingerprint-verified, into mobile payment method, which was the first one in China and opened the new era of biometric recognition in the field of mobile payment. Following the rebrand of Alipay, company's four principles were announced: "steadily innovating, embracing regulation, activating finance and serving real economy".³¹ In November, Alipay introduced global shopping service, which enables customers to use Alipay to make the payment on overseas online shopping sites. The services have covered the four major US department stores, Macy's, Bloomingdale's, Saks Fifth Avenue, Neiman Marcus, and several clothing brands.

In 2015, it was announced that Ant Financial completed Series A fundraising. Alipay version 9.0 was launched with adding the new social networking function. Ant Financial also launched a new smart wealth management platform called "Ant Fortune". Later in this year, Ant Financial started its investment business. In September, it invested in a property insurance company, Cathay Insurance Co., Ltd. In October, it became a strategic investor for a tech platform providing services for startups, which is called "36Kr".³² In the last month of the year, the "1212" global shopping carnival was launched and gained great success.

At the beginning of 2016, during the Chinese New Year, Alipay exclusively cooperated with CCTV (China Central Television) at the Spring Festival Gala, releasing an interactive game, "Grab Red Envelope, Pass on Good Fortune". In April, Ant Financial announced that it completed its Series B fundraising for US\$4.5 billion.³³ In September, Alipay announced that starting from Oct.

³¹ "Our History." *Ant Financial*. Accessed 25 May 2017. <<https://www.antfin.com/history.htm>>.

³² *Ibid.*

³³ *Ibid.*

12th, 0.1% of service fee will be charged for individual users on withdrawing deposits from Alipay accounts to cash card when exceeding the limits for free. Each individual user has a total of 20,000 Chinese Yuan of basic free limits of cash withdraw. After using out the free limits, users can use Ant points to redeem more free limits.³⁴ In November, Alipay was formally added to Apple's App Store as a new payment method for mainland Chinese users. Users can pay for Apple's applications, Apple Music and so on via Alipay.³⁵

In 2017, Alipay has been continuously developing its global expansion. In May, Alipay launched AlipayHK, exclusively for Hong Kong users. Although Alipay has been able to support 14 currencies, it is the first time for Alipay to specially introduce transactions only in local currency, which is Hong Kong dollars for AlipayHK, but not dominated in Chinese Yuan. There are more than 2000 stores in Hong Kong starting to accept AlipayHK right after the release of the new application. Moreover, 8000 stores in Hong Kong have already accepted the normal Alipay before and will also be able to take new application soon.³⁶ In June, European country Monaco and Alipay signed a strategic cooperation agreement (MOU) and will apply Alipay across the country. It is the first time for Ant Financial to build strategic cooperation with the government of the sovereign state. Monaco has become the 12th country in Europe to import Alipay and Chinese mobile payment technology. Monaco is expected to become the first cashless European country

³⁴ *Help Center*. Alipay. Accessed 26 May 2017. <https://cshall.alipay.com/lab/help_detail.htm?help_id=248134>.

³⁵ Xiaoguang. "Apple App Store addition of a way to pay: Alipay payment, 苹果 App Store 又多了一种支付方式: 加入支付宝付款." *Tech.sina.com.cn*, 01 Nov. 2016. Accessed 26 May 2017. <<http://tech.sina.com.cn/mobile/n/n/2016-11-01/doc-ifxxfuff7507134.shtml>>.

³⁶ Jiang, Sijia. "Transaction App Alipay Launches First Non-yuan Version in Hong Kong." *Reuters*. Thomson Reuters, 24 May 2017. Accessed 30 May 2017. <<http://www.reuters.com/article/us-alipay-hongkong-idUSKBN18K19L>>.

through this government-led promotion.³⁷

2.1.2 Features

With the years of continuous development, Alipay has become a comprehensive open service platform, a one-stop solution for users' everyday needs. Meanwhile, Alipay keeps innovating and has been adding new functions to the platform.

2.1.2.1 Online payment

As the fundamental services of Alipay, online payment covers a wide range of various services: transfer money from Alipay account to another Alipay account or to bank cards, pay credit card debts, pay utility bills, educational fee, traffic violation penalty and mobile or fixed telephone bills, hospital registration, top up gasoline card, pay off student loans, buy movie ticket, buy train ticket, foreign exchange, book hotel or taxi, shop online, donate money, buy lottery, etc.

2.1.2.2 Offline payment

Besides online payment services, Alipay has developed a lot of offline payment services, covering everyday needs from public transportations, taxi, restaurant, to supermarket, department stores, and convenient stores. Currently, people can use Alipay to make payment at around 200,000 offline shops and 500,000 taxis all over the country.³⁸

³⁷ Zhang, Mianmian. "Monaco and Alipay will build the world's first cashless country, 摩纳哥与支付宝签约 将打造全球首个无现金国家." *www.CNR.cn*, 7 June 2017. Accessed 8 June 2017. <http://china.cnr.cn/gdgg/20170607/t20170607_523790709.shtml>.

³⁸ "About Alipay." *Alipay*. Accessed 25 May 2017. <<https://ab.alipay.com/i/jieshao.htm>>.

2.1.2.3 Financial services

Alipay provides a series of wealth management products that users can purchase easily via an application from a small amount of money. For Yu'E Bao and Zhao Cai Bao, the number of users has already over 200 million.³⁹ The money saved in Yu'E Bao can make users receive interests and can be used to pay, transfer or withdraw at any moment.

Additionally, users can also purchase insurance through Alipay. So far, Chinese major insurance companies have already entered the platform to offer insurance products and services. Except for regular products, such as health insurance, life insurance, accident insurance, auto insurance, travel insurance, etc., Alipay cooperates with the insurance company to introduce innovative products, such as Spring Festival insurance, freight insurance and so on.

2.1.2.4 Oversea market

With the rapid global expansion, Alipay has been accepted in about 30 countries and regions with over 2000 merchants and supports 14 currencies. The tax-refund service has also reached Korea and Europe to provide convenience for overseas travel.⁴⁰

In terms of global online shopping, Alipay has been accepted as a payment method on thousands of overseas online shopping sites in 32 countries, including Aoso, Forever 21, iherb, Neiman Marcus, Lotte Korea, Yahoo Japan and so on. Therefore, Chinese customers can conveniently make payment on overseas shopping sites without having a credit card or exchanging foreign currencies.

³⁹ "About Alipay." *Alipay*. Accessed 25 May 2017. <<https://ab.alipay.com/i/jieshao.htm>>.

⁴⁰ *Ibid.*

2.1.2.5 Social networking communications

The “friend” function which was released in July 2015 enables users to communicate, transfer money, exchange red envelope and so on with friends through the application. In addition to that, in the field of social networking communication, Alipay has also set up a family account and group account for users to pay and transfer within the group.

SECTION 2.2 WECHAT PAY

2.2.1 Development history

Compared with Alipay, WeChat Pay has a relatively short development history. WeChat Pay was formally released jointly by Tencent and Tenpay in August 2013. It is an integrated payment solution inside the messaging application WeChat.

Regarding Tencent, it is one of China’s most used largest Internet service company, founded in 1998.⁴¹ Tencent owns China’s largest leading Internet community, QQ Instant Messenger, and other relating platforms, such as QQ Games, Qzone, SoSo, PaiPai, Tenpay, QQ.com, etc. The number of active users of QQ IM reached 752 million by March 2012, while the number of peak concurrent users was 167 million.⁴² Tencent provides a wide range of services covering information, entertainment, communication, e-commerce and so on, through Internet, mobile, telecom services and online advertising. The strategic goal of Tencent is to provide customers with “one-stop online lifestyle services”.⁴³

In order to meet the needs of 1.1 billion users of QQ IM, Tencent officially launched Tenpay in

⁴¹ "Overview." *About Us* :: *Tenpay.com*. Tenpay. Accessed 30 May 2017.

<http://global.tenpay.com/about_us/overview.shtml>.

⁴² *Ibid.*

⁴³ *Ibid.*

September 2005. Currently, it has developed into one of the leading third-party online payment platforms in China. By the end of 2011, the number of registered users amounted to 190 million.⁴⁴

Tenpay has been providing online payment solutions to individual users and various industries, including B2C, insurance, airlines, logistics, games and so on. In 2007, Tenpay was ranked the second market share in China's third-party online payment. In the next year, it formally launched mobile payment service. In 2011, as one of the first batch, Tenpay received the Business License for third-party payment by the People Bank of China.⁴⁵

Despite the short development process, based on the background of Tenpay and WeChat, WeChat Pay has grown rapidly and aggressively in the field of online payment platform. At the beginning of 2014, just half a year right after the launch of WeChat Pay, Didi Chuxing (a Chinese major ride-sharing application) accessed WeChat Pay as one of the payment methods. The order proceeded through WeChat reached 100,000 within the first three days.⁴⁶ In February 2015, during the Chinese New Year, WeChat cooperated with Spring Festival Gala of CCTV to start the interactive game, "shake and get Red Envelope". According to the statistics data, the total interaction of "Shake" got 11 billion times within around five hours; specifically, from 22:32 to 22:42, totally 120 million of the red envelope was handed out.⁴⁷ In May 2015, the users of WeChat Pay went beyond 300 million. In January 2016, the number of offline stores that has accessed WeChat Pay reached 300,000. Start from March 1st, WeChat Pay announced to charge 0.1% of

⁴⁴ "Overview." *About Us :: Tenpay.com*. Tenpay. Accessed 30 May 2017. <http://global.tenpay.com/about_us/overview.shtml>.

⁴⁵ *Ibid.*

⁴⁶ "Didi Dache: WeChat three days to bring one hundred thousand order, 滴滴打车：微信三天带来十万单." *Sohu.com Inc.* 13 Jan. 2014. Web. 30 May 2017. <<http://it.sohu.com/20140113/n393396501.shtml>>.

⁴⁷ "2015 CCTV Spring Festival Gala: WeChat shakes red envelope triggered a national interactive carnival, 2015 央视春晚：微信摇一摇红包引发全民互动狂欢." *Tech.qq.com*. Tencent, 21 Feb. 2015. Accessed 30 May 2017. <<http://tech.qq.com/a/20150221/011066.htm>>.

service fee on withdrawing from WeChat Pay account to bank card when exceeding the free cash limit. Every individual user has 1000 Chinese Yuan of free cash.⁴⁸ In August 2016, WeChat Pay put forward the concept of “cashless” and worked together with 700,000 offline stores and 40 banks, so that made August 8th become the world’s first mobile payment festival.⁴⁹ As of March 2017, the monthly active users were more than 600 million.⁵⁰

2.2.2 Features

Basically, WeChat Pay has also developed a wide range of payment services on its platform. Firstly, in terms of daily needs, users can transfer money, pay credit card debts, top up mobile bills, pay utility bills, make hospital registration, call for a taxi, use ride-sharing, buy train and air ticket, buy a movie ticket, book hotel, call food delivery and etc. Secondly, similar with Yu’E Bao of Alipay, the user can buy financial product “Li Cai Tong” on WeChat Pay platform.

Except for those above fundamental payment, “In-App Web-based Payment” is one of the special features of WeChat Pay. As an originally social networking platform, WeChat owns its official content creators call “Gongzhong Hao” (WeChat Official Account), which is an open public platform for individual developers or business group using texts, pictures, photos, videos to achieve all-round interaction and communication with their target group. Users can tip contents of those accounts by a various amount of money up to their preferences to encourage the competition or to thank the writer via WeChat Pay.

⁴⁸ " WeChat announced the official fee charged 0.1%, 微信今日正式提现收费 手续费 0.1%." *Tech.163.com*. NetEase, 1 Mar. 2016. Accessed 6 June 2017. <<http://tech.163.com/16/0301/16/BH37R63K000915BF.html>>.

⁴⁹ "First “cashless” festival, 首个“无现金”节." *News.163.com*. NetEase, 12 Aug. 2016. Accessed 06 June 2017. <<http://news.163.com/16/0812/03/BU8535RQ00014AED.html>>.

⁵⁰ "Hello, WeChat or Alipay, “您好, 请问您是用微信还是支付宝? ”." *www.sohu.com*. SOHU, 27 Mar. 2017. Accessed 06 June 2017. <http://www.sohu.com/a/130510763_674610>.

The other special feature of WeChat Pay is red envelope. Although Alipay has the similar function, the one on WeChat Pay has been much more frequently used among customers. The red envelope is one of the important Chinese traditions especially during the Chinese New Year, while senior people will give red envelope with cash inside to young people to distribute luck and fortune. Due to the chat function of WeChat, users can directly exchange red envelope in the dialog box and fill in money by WeChat Pay.

SECTION 2.3 COMPARISON BETWEEN ALIPAY AND WECHAT PAY

2.3.1 SWOT Analysis

First of all, in terms of the strengths, both companies have high brand awareness, strong market development capability, and rich business resources. Alipay has relatively more user stickiness and provides a safer and more stable payment environment due to its longer years of development. Although WeChat Pay has only been released for four years, the social networking background of WeChat has brought it huge user base.

Regarding the weaknesses, Alipay still has to work with banks and strengthen the safety of Quick payment. For WeChat Pay, the social networking background has also brought potential security risk. Its development has to rely on Tenpay and currently, the functions and products are still limited.

Table 2.1 SWOT Analysis of Alipay and WeChat Pay

	Alipay	WeChat Pay
Strengths	<ul style="list-style-type: none"> a. Safe and stable transaction environment; b. High public awareness and consumer perception; c. Strong application innovative ability and market development capability; d. Rich business and capital resources of Alibaba Group; e. Long years of development leads to certain strengths and huge stable user base with stickiness. 	<ul style="list-style-type: none"> a. Huge user base and high usage frequency due to social networking platform of WeChat; b. High brand awareness and Tencent continues to expand the market and improve its ecosystem; c. Simple and user-friendly, easy to use, a low burden.
Weaknesses	<ul style="list-style-type: none"> a. Safety of Quick payment of credit card⁵¹ b. Relatively strong dependence on banks, long billing cycle.⁵² 	<ul style="list-style-type: none"> a. Rely on and be limited to the development of Tenpay; b. Functions and products are limited; c. E-commerce business based on the social networking platform is yet to be developed; d. Potential security risk.
Opportunities	<ul style="list-style-type: none"> a. The rapid popularity of mobile Internet; b. The habits of mobile payment has gradually developed; c. The great potential of mobile payment market: the expansion of consumer group and the growing demand for mobile payment. 	<ul style="list-style-type: none"> a. The rapid popularity of mobile Internet; b. The habits of mobile payment has gradually developed; c. The great potential of mobile payment market: the expansion of consumer group and the growing demand for mobile payment.
Threats	<ul style="list-style-type: none"> a. Policy risk in terms of account; b. The cooperation attitude of the bank will affect its development.⁵³ 	<ul style="list-style-type: none"> a. No real name registration will bring potential policy risk and may be used as money laundering tools, especially red envelope;⁵⁴ b. The cooperation attitude of bank will affect its development;

⁵¹ Huang, Hui. "A Comparative Study of China's Mobile Payment Business Models, 我国移动支付商业模式的比较研究." *Financial Economy* 5 (2015): 81-85.

⁵² Zhang, Yan. "Research on Mobile Payment Model in e-commerce Environment - Taking Alipay and WeChat Pay as an Example 电子商务环境下移动支付模式研究——以支付宝和微信支付为例." *Modern economic information* 18 (2016): 318.

⁵³ Huang, Hui. "A Comparative Study of China's Mobile Payment Business Models, 我国移动支付商业模式的比较研究." *Financial Economy* 5 (2015): 81-85.

⁵⁴ *Ibid.*

The great potential of mobile payment market has brought great opportunities for both companies. The huge popularity of mobile Internet and increasingly developed habits of mobile payment have created a huge demand for mobile payment both online and offline. As for now, when facing the huge potential mobile payment market, Alipay has a better foundation and strength to seize the market.

At the same time, threats exist for both companies. For Alipay, the cooperative attitude of the bank will influence its future development to a great extent. While for WeChat Pay, security has still been the most problem. No real name registration and QR payment method will bring potential security and policy risk. Especially red envelope, WeChat Pay has the possibility of being used as money laundering tools. Similar with Alipay, the attitude of the bank will affect its further development as well.

2.3.2 Functions

Although two payment platforms are highly similar in terms of overlapping functions, there is still a subtle difference between them. Firstly, both two platforms charge service fee on withdrawing from their account to bank card at the same rate, however, Alipay offers much more amount of lifelong free limit for 20,000 Chinese Yuan per person, while only 1000 Chinese Yuan of WeChat Pay. After running out the free limit, for Alipay user, they can exchange more limit by using Ant Point; while for WeChat Pay, they have no chance to receive more free limit. Furthermore, regarding the top-up limit and payment limit, two platforms generally follow the same rule that different bank cards have respective limits. One thing to note in that Alipay account does not have an annual limit, while WeChat Pay has 200,000 Chinese Yuan of annual payment

limit.

Table 2.2 Comparison of usage limits between Alipay and WeChat Pay

	Alipay	WeChat Pay
Service fee on withdrawing from account to bank card	0.1%, minimum 0.1 Yuan/transaction when exceeding free limit	0.1%, minimum 0.1 Yuan/transaction when exceeding free limit
Lifelong free limit	20,000 Chinese Yuan	1000 Chinese Yuan
Exchange for more free limit	Use Ant Point	No
Top-up limit	Via mobile: same with Quick payment; Via PC: a. With digital certificate, 20,000 Yuan/transaction, 20,000 Yuan/day; b. With no digital certificate, 2000Yuan/transaction, 2000 Yuan/day.	Depends on different banks Per transaction: minimum 5000 Yuan, maximum 300,000 Yuan; Per day: minimum 5000 Yuan, maximum 500,000 Yuan; Per month: minimum 20,000 Yuan, maximum no limit.
Payment limit	Quick payment limit depends on different banks Per transaction: minimum 10,000 Yuan, maximum 500,000 Yuan; Per day: minimum 10,000 Yuan, maximum no limit; Per month: minimum 20,000 Yuan, maximum no limit. ⁵⁵	Per year: 200,000 Yuan Per day: a. With digital certificate, 50,000 Yuan; b. With no digital certificate, 10,000 Yuan.

In addition, as a big feature of WeChat, WeChat Red envelope has limits as well. Each red envelope can be filled in at most 200 Chinese Yuan. Maximum 100 red envelopes can be sent simultaneously every single time. The maximum number of payment for the red envelope is 200 within one day.

2.3.3 Core Competence

Despite the subtle differences that have been discussed in the above, in fact, there are

⁵⁵ "Limit of Quick Payment, 快捷支付限额." *Help Center*. Alipay. Accessed 10 June 2017. <https://cshall.alipay.com/lab/help_detail.htm?help_id=10003817&keyword=%CF%DE%B6%EE&sToken=s-05b10e7243f64eb45c64e4b193b6ff&from=search&flag=0>.

distinctive core competences between these two platforms. Generally speaking, in terms of business fields, Tencent is strong at social networking and games, while Alibaba's strength is at e-commerce and finance. To be more specific, traffic and social interaction can be considered as WeChat Pay's core competitiveness, whereas security and entire ecosystem are Alipay's core competitiveness. According to the data, when making mobile payment in terms of different fields of usage, Chinese consumers tend to use Alipay in bill payment, financial products, O2O and offline payment, while tend to use WeChat Pay in P2P (peer to peer) transfer. (Figure 2.4) Alipay has kept ahead of WeChat Pay in all the functionalities except for the area of P2P.

Firstly, as the affiliate of WeChat, the most popular chatting application in China, WeChat Pay has made the most use of WeChat's traffic and social relationship. Under this condition, social interaction has become the core competence of WeChat Pay. Compared to Alipay with 451 million annual active users, WeChat Pay has around 100 million more active users, 600 million monthly active users. (Figure 2.1)

In particular, during Chinese New Year of 2013 and 2014, the release and popularity of WeChat Red envelope had attracted a large number of users, of which the number was even about to surpass Alipay's accumulated amount for eight years. It was shocking and unready for Alipay to be caught up by WeChat Pay in such a short period of time. Being faced with such strong competition, therefore, Alipay also took action to expand into the field of social networking communication. Starting from 2015, Alipay launched not only a series of social networking functions one after another, from "friend" to "circle" and "campus diary"; but also network marketing campaign called "collect five 'FU' ". Though some actions have been effective and

successful, the other functions were involved in pornographic issues and were criticized by the public. Ultimately, in March 2017, Alipay made an announcement to give up developing the field of social networking, decided to return to its strong field of finance and e-commerce, and reflected seriously about the problems and further strategy. The social expansion strategy of Alipay finally ended up with failure.

Additionally, based on the social advantage, WeChat has launched Official Account, which is a public communication platform for individual or business group to interact and connect with target users. Official Account has already become a popular marketing and information platform with various usages, such as tip on appreciative writer or contents. From the aspect of third-party payment, WeChat Pay together with WeChat Official Account can greatly help WeChat seize O2O (online to offline) market, one of the critical battlegrounds for Alipay and WeChat Pay. More specifically, first of all, services or companies open the brand official account inside the WeChat. Customers can get promotion and product information from the official account by following it. On one hand, the customer will purchase products or use services offline in the physical store after they receive information online. On the other hand, after payment through WeChat pay in the physical store, consumers will follow the account on WeChat by default. The official account can allow consumers to see e-receipt and also all the historical transaction record. By doing so, merchants can keep connecting with consumers, manage CRM, and then integrate consumer information to provide more customized marketing. From the viewpoint of the consumer, this interactive action can build company loyalty as well. (Figure 2.2)

Secondly, originally as a financial intermediary designed from the public's lack of confidence

in online shopping, Alipay has transferred and upgraded into an open one-stop platform over ten years of development. Because of the popularity of Taobao and continuous technology innovation and development, Alipay has been the market leader in the industry and build its brand awareness firmly among the public since its launch. In other words, Alipay has made the use of its rich business resource and advanced technology to create a comprehensive ecosystem to provide extensive professional and safe financial services to its customer, which is exactly the core competence of Alipay. From customers' perspective, when paying a relatively big bill or for financial products, people tend to use Alipay due to security and habits. (Figure 2.4) Moreover, people have not been used to topping up their WeChat Pay account with a big amount of money.















Alibaba has built a powerful ecosystem, starting from retail e-commerce business, such as Taobao and Tmall, to its payment solution and financial services, and also various cloud computing services in development offering to domestic and oversea clients.⁵⁶

As Alipay's the strongest line of business, one-stop financial service is a core part of Alipay's entire ecosystem. Aiming at evolving into a global fintech company, Alipay is offering a wide range of finance products on its payment platform for individual and small and micro enterprise, from wealth management product, financing product, SME lending, consumer loan, to diversified online insurance products and even credit rating system. (Figure 2.3) According to KPCB's report on Internet trends in 2017, among 451 million active users, money market funds have got more than 300 million cumulative users and insurance section also has reached 380 million cumulative users. (Figure 2.1) Compared to WeChat's money market funds, it owns 600 million active users of

⁵⁶ Xiao, Eva. "How WeChat Pay Became Alipay's Largest Rival." *Tech in Asia*. 20 Apr. 2017. Accessed 16 June 2017. <<https://www.techinasia.com/wechat-pay-vs-alipay>>.

payment, whereas the user number of wealth management product only has 80 million cumulative users. (Figure 2.1)

Thanks to the strong ecosystem and brand influence of Alibaba group, Alipay can fully leverage the power of Internet and big data to provide all-inclusive financial services, so that better serve individual customers and SMEs.

	Payment	Wealth Management	Financing	Insurance	Credit Rating / History
Ant Financial	 451MM Annual Active Users ¹	 >300MM Cumulative Users ²	 >100MM Cumulative Consumer Finance Users ³ , >5MM Cumulative SME Borrowers ⁴	 380MM Cumulative Users ⁵	 130MM Cumulative Users ⁶
Tencent	 >600MM MAU ⁷	 >80MM Cumulative Users ⁸	 >30MM Cumulative Users ⁹		
JD Finance	 119MM Annual Active Users ¹⁰	 >20MM Cumulative Users ¹¹	 >30MM Cumulative Users ¹¹	 168MM Cumulative Users ¹¹	 >35MM Cumulative Users ¹¹

KLEINER PERKINS

Source: Alibaba / Ant Financial, Tencent, JD Finance
 Number of users of Alipay with one or more successful transactions in 2015: ¹As of 3/16; ²As of 4/17; ³As of 1/17; ⁴As of 2/15; ⁵As of 3/16; ⁶As of 12/16; ⁷As of 12/16; ⁸As of 11/16; ⁹As of 5/17; ¹⁰Number of users of JD Pay with one or more successful transactions in 2016; ¹¹As of 5/17

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Source: Internet Trends 2016

Figure 2.1 Diversified financial services platforms of China Internet leaders

...WeChat Payments = Can Drive Merchant Loyalty & CRM

An Example of Paying the Bill at McDonald's via Weixin Pay
"Weixin Pay + Public Accounts" is powerful

- After successful payment, consumers will follow McDonald's public account on Weixin by default.
- Public Account enables merchants to reach existing customers for future marketing and CRM.**
- After successful payment, an e-receipt will also pop up automatically via the public account of Weixin Pay.
- The public account allows consumers to review all historical transactions.**

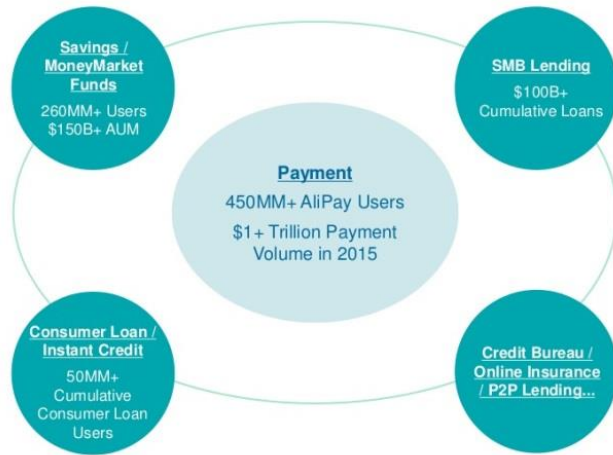
@KPCB Source: IB Research

Hillhouse Capital | PAGE 177

Source: Internet Trends 2016

Figure 2.2 WeChat Pay can drive merchant loyalty and CRM

Ant Financial (~\$60B Valuation*) = Leveraging Alibaba AliPay Scale... Building China Financial Services One-Stop-Shop



@KPCB Source: Media reports, Ant Financial Financing in 4/16

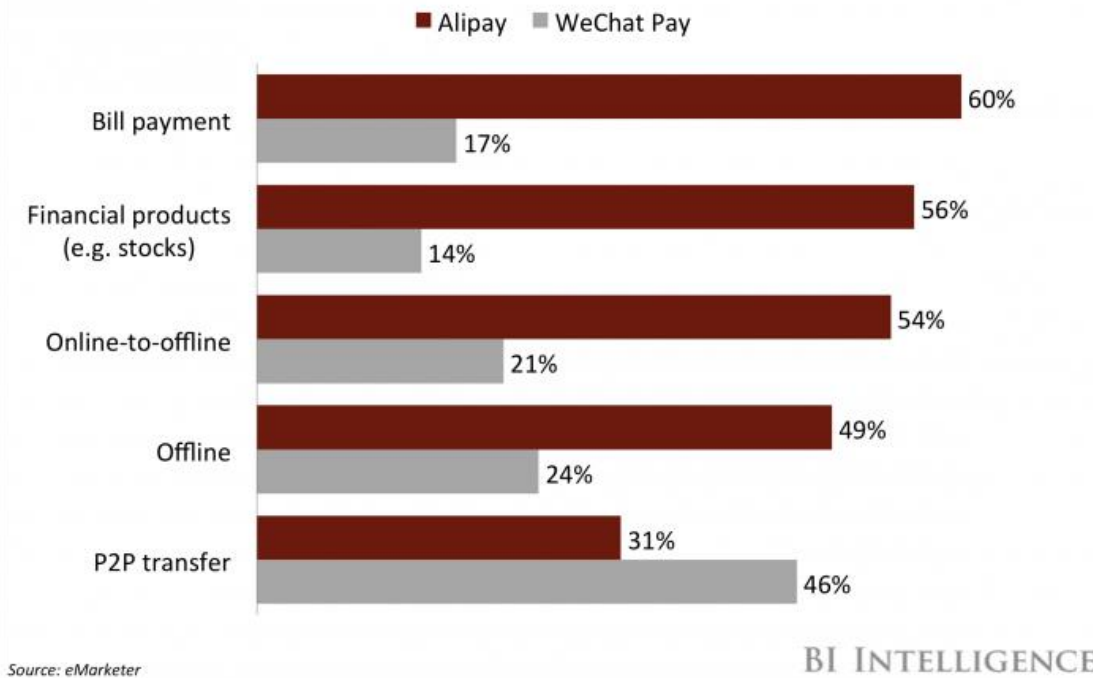
Hillhouse Capital | PAGE 178

Source: Internet Trends 2016

Figure 2.3 Ant Financial's building China financial services one-stop-shop

Percentage Of Chinese Users Making Types Of Mobile Payments In China, By Platform

Q1 2016



Source: eMarketer

Figure 2.4 Percentage of Chinese users making types of mobile payments in China, by platform⁵⁷

⁵⁷ Intelligence, BI. "WeChat's P2P Usage Is Massive." *Business Insider*. Business Insider, 30 Dec. 2016. Accessed 16 June 2017. <<http://www.businessinsider.com/wechats-p2p-usage-is-massive-2016-12>>.

CHAPTER 3. CASE STUDY

SECTION 3.1 RED ENVELOPE WARS

3.1.1 The beginning from WeChat with great success

Originally, red envelope (Hong Bao) is Chinese traditional gift with cash-filled in which is distributed on important occasions or during holidays, such as New Year, wedding, the birth of baby or graduation and so on, in order to present good luck and fortune.

Based on this popular custom, WeChat introduced its virtual red envelope during the Chinese New Year in 2014. This function enables users to send money gift in the form of the red envelope to their contacts or groups by using WeChat Pay to top up. The user can choose to send money either in fixed amount or in randomized amount. Particularly for group red envelope, a user can send a red envelope to group with setting up the number of envelopes and the total amount of money. However, how much other members can get from an envelope is unfixed and randomized, and if the number of envelopes is less than the number of members, there will be members who cannot get any of it. Thus, this rule normally results in the situation that group members compete for the red envelope, which in fact will improve group interaction and generate new communities and relationships.

Once it was released, it got extremely popular among users. Especially during the Chinese New Year in 2014, as the first mover, WeChat cooperated with CCTV (China Central Television) Spring Festival Gala to release an interactive promotion for WeChat Red Envelope. Users can shake their phone and receive not only WeChat red envelope as prizes but also details of the Gala

show as a bonus. Within the six-day Spring Festival holiday, WeChat users sent totally 20 million red envelopes.⁵⁸ Thanks to the popularity of Red Envelope, the number of WeChat Pay's user was triple times growing in only one month, when more than 100 million users linked up their bank card with WeChat Pay and QQ Wallet by the end of 2014.⁵⁹ Moreover, the next Chinese New Year of 2015, WeChat continued its cooperation with CCTV's Gala show. In this year, the number of WeChat Red Envelopes sent reached 3.2 billion.⁶⁰

From 2016, WeChat no longer cooperated with CCTV's Gala show. Regardless of that, due to the developed habit of sending red envelopes, it still experienced explosive growth, while the number of red envelopes increased into 8 billion. (Figure 3.1) According to the 2016 WeChat Data Report, the number of red envelopes sent daily on Chinese New Year Eve reached 2 billion, which is the single day that saw the most of the red envelopes sent throughout the past 2016. (Figure 3.2) Considering the monthly amount of red envelope sent per person in 2016, the average number sent by youth users, who ages from 17 to 21 years old, was 20 per person; for senior users, who ages 55 years old or older, the number was 25 per person; for other typical users, the number was 28 per person. (Figure 3.2) It can be implicated that WeChat Red Envelope has been widespread to all the age generations and users of all ages have been used to sending red envelopes and doing that frequently. On 26th Jan, WeChat launched an eight-hour limited campaign. The game allowed users to post a blurred photo on WeChat moments and viewers had to send them a red envelope in order to see the clear photo. The amount of money inside the red envelope was determined by platform

⁵⁸ Meeker, Mary. *Internet Trends 2016*. Rep. KPCB, 2016.

⁵⁹ *2014 Annual Report*. Rep. Tencent Holdings Limited, 2014.

⁶⁰ Pasternack, Alex. "How WeChat Became China's App For Everything." *Fast Company*. Fast Company, 2 Jan. 2017. Accessed 16 June 2017.

<<https://www.fastcompany.com/3065255/china-wechat-tencent-red-envelopes-and-social-money>>.

randomly. According to WeChat, within these eight hours, totally 29 million photos were posted and 192 million users paid to view them.⁶¹ When it comes to 2017, although there was no particular promotion campaign for red envelope yet so far, the continued substantial growth has been seen, while the number of red envelopes sent during 2017 Chinese New Year reached 14.2 billion. (Figure 3.1)

3.1.2 “Pearl Harbor moment” for Alipay

The tremendous success of WeChat Red Envelope has brought about enormous pressure on Alipay. Jack Ma, founder and executive chairman of Alibaba Group, has described it as “Pearl Harbor moment” for Alipay. The reason why he mentioned it is that WeChat Pay had achieved such a huge user base in a short period of time, while it had taken about eight years for Alipay to get the same extent.

In fact, however, WeChat is not the very first third-party payment company to release red envelope function. Alipay has already introduced red envelope function in 2005, which was limited to Taobao buyers and sellers, although this function eventually did not become popular or successful among users.⁶² After seeing WeChat’s great success, Alipay followed closely and launched similar red envelope function responsively. In 2015, from 1:00 am on 18th Feb to 1:00 am on 19th Feb, 683 million people used Alipay Red envelope, and the total amount of red envelope exchanged was 240 million for 40 billion Chinese Yuan within 24 hours.⁶³ In 2016, Alibaba paid USD \$41 million in order to become the exclusive partner with CCTV’s Spring Festival Gala,

⁶¹ Pasternack, Alex. "How WeChat Became China's App For Everything." *Fast Company*. Fast Company, 2 Jan. 2017. Accessed 16 June 2017.

<<https://www.fastcompany.com/3065255/china-wechat-tencent-red-envelopes-and-social-money>>.

⁶² "Chronicle." *Alipay*. Accessed 20 June 2017. <<https://ab.alipay.com/i/dashiji.htm>>.

⁶³ *Ibid.*

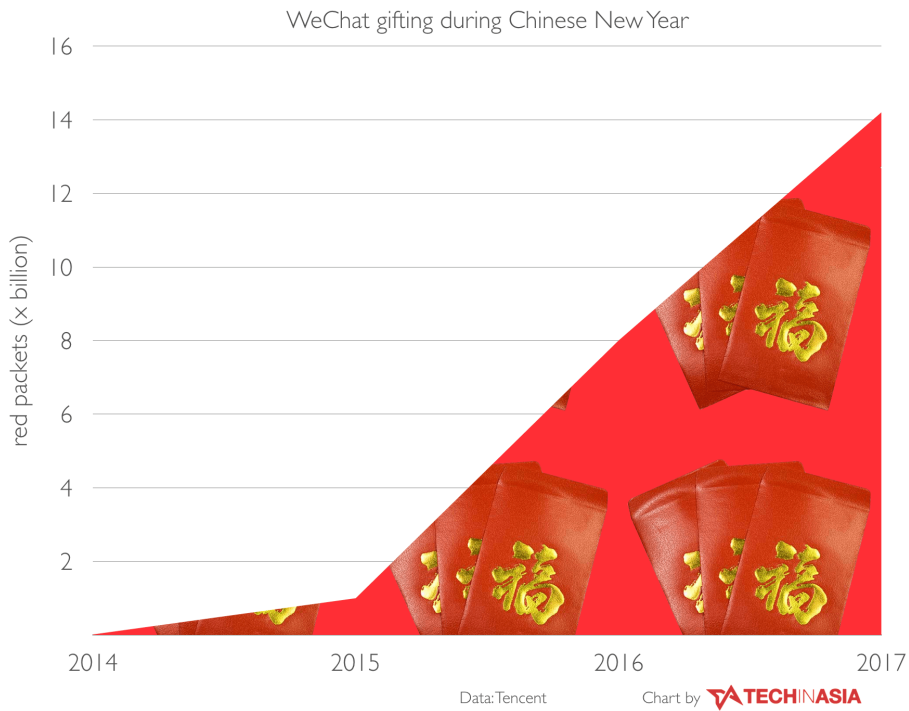
whereas Tencent only paid USD \$7.7 million as the sponsor over the previous year.⁶⁴ For the first time to cooperate with CCTV, Alipay launched a “Lucky Card Collection” game starting before the gala show, and also released a new interactive game “Grab Red Envelope, Pass on Good Fortune” at the show. The series of games allowed users to collect and exchange lucky card with their Alipay connects, as long as collecting all the five cards, users become eligible to win cash prizes at the gala show. Eventually, according to Alibaba, 791,405 users had successfully collected five lucky cards and each of them received the equivalent of total 215 million Chinese Yuan cash prize; and the number of times participating on the interactive platform reached 324.5 billion, which was 29.5 times that of last year.⁶⁵ Consequently, due to this series of promotion, Alipay made 1.1 billion new social connections during the 2016 Chinese New Year.

3.1.3 Conclusion

In summary, holiday along with red envelope has become another intense battleground for this two giants. Before the red envelope war, these two platforms had distinctive characteristics: Alipay dominated E-commerce, while WeChat Pay dominated social networking. Afterward, the red envelope war was blurring the boundaries between them. Through a series of actions, Alipay has been working hard on building its social networking, while WeChat Pay has rapidly grown up to become a major player in the field of payment. Overall, their competition is great for consumers because both of them has distributed tens of million money to consumers. As a result, consumers can enjoy better services and more advanced functions.

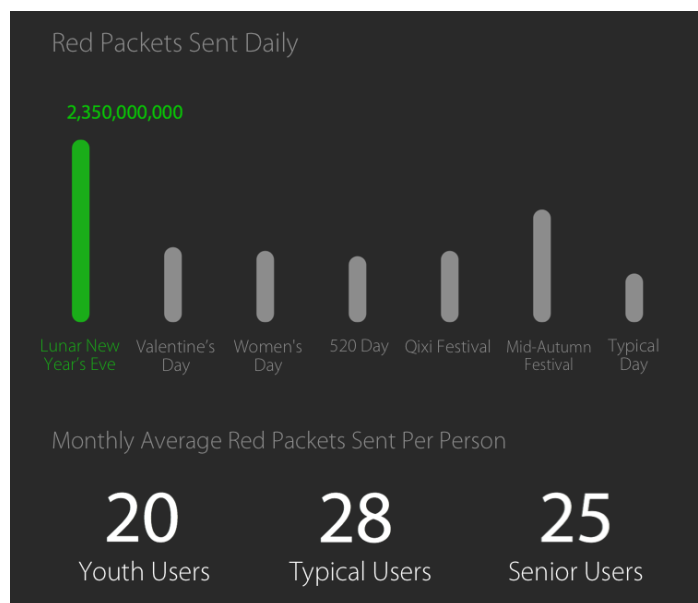
⁶⁴ Wade, Michael R.; Shan Jialu. "The Red Envelope War." *IMD Business School*. 13 Apr. 2016. Accessed 20 June 2017. <<http://www.imd.org/publications/articles/the-uneasy-truce-between-alibaba-and-tencent-is-over/>>.

⁶⁵ "Chronicle." *Alipay*. Accessed 20 June 2017. <<https://ab.alipay.com/i/dashiji.htm>>.



Source: Tencent

Figure 3.1 WeChat gifting during Chinese New Year⁶⁶



Source: The 2016 WeChat Data Report

Figure 3.2 Red envelopes sent daily and monthly average red envelopes sent per person

⁶⁶ Xiao, Eva. "How WeChat Pay Became Alipay's Largest Rival." *Tech in Asia*. 20 Apr. 2017. Accessed 16 June 2017. <<https://www.techinasia.com/wechat-pay-vs-alipay>>.

SECTION 3.2 STRATEGIC INVESTMENT BATTLES

3.2.1 Introduction

Strategic investment is the business concept that describes the investment in a company operated by another company, in order to make the investment more successful based on the long-term development, for instance investing in a new business within a new market or launching a new product.⁶⁷ The goal of strategic investment is not just referring to financial goals, but also various business or strategic goals. One of the benefits and goals for investors is to increase company's competitive advantage by evaluating and selecting the appropriate project. For the investing company, it is a great benefit to access huge resources and reduce cost through the investment. Differing from venture capitalist that focuses on achieving return on investment, strategic investment is closer to joint ventures. Corporate venturing is one example of strategic investment, which describes large company invest in a smaller company.⁶⁸

Based on their respective core competences, in order to compete with each other, both of them have put forth effort into investing in a wide range of diverse business to increase their competence. Due to the worry for the lack in social networking channel, Alibaba invested USD \$586 million in Sina Weibo with an 18% stake, China's largest social networking site in April 2013. As of 2013, Sina Weibo had 503 million users and 46.2 million active daily users, and also over 130,000 companies' official accounts.⁶⁹ Accordingly, Tencent was working on expanding its business in the

⁶⁷ "Strategic Investment Meaning in the Cambridge English Dictionary." *Cambridge Dictionary*. Cambridge Dictionary. Accessed 22 June 2017. <<http://dictionary.cambridge.org/dictionary/english/strategic-investment>>.

⁶⁸ "Strategic Investment, Strategic Investing." *ECONOMYWATCH*, 23 Nov. 2010. Accessed 21 June 2017. <<http://www.economywatch.com/investment/strategic-investing.html>>.

⁶⁹ Guilford, Gwynn. "Ahead of Its Rumored IPO, Alibaba Buys a \$586 Million Stake in Sina Weibo." *Quartz*. Quartz, 29 Apr. 2013. Accessed 21 June 2017. <<https://qz.com/79274/ahead-of-its-rumored-ipo-alibaba-buys-a-586-million-stake-in-sina-weibo/>>.

field of e-commerce as well. In March 2014, Tencent announced a USD \$200 million investment in JD.com, China's second-largest e-commerce company, with a 15% stake. By August 2016, Tencent has become the largest shareholder with a 21.25% share.⁷⁰ Two companies strategically cooperated to fight against the dominance of Alibaba.

2015 is the year when China's O2O (online to offline) market experienced rapid growth. Consumers got gradually used to calling a car, ordering food delivery service from various choices of food at home and booking movie ticket through the application, and of course finishing the payment at the same time. As facing the huge potential and significance of O2O market, two giants certainly would not miss the boat to keep fighting. (Table 3.1)

Table 3.1 List of several major investments of Alibaba and Tencent

Category	Alibaba (Alipay)	Tencent (WeChat)
Ride-hailing	Kuaidi Dache (Jan 2015)	Didi Chuxing (Dec 2014) (Jul 2015) (Jun 2016)
Ride-hailing	Didi Chuxing (Jul 2015) (Jun 2016)	
Ride-hailing	Ucar (Apr 2016)	
Food-delivery and life services	Koubei.com (Jan 2015) (Jun 2015)	Ele.me (Jan 2015) (Aug 2015)
Food-delivery and life services	Ele.me (Apr 2016)	Meituan-Dianping (Jan 2016)
Bike-sharing	Youon Bike (Mar 2017)	Mobike (Sep 2016) (Jan 2017) (Jun 2017)
Bike-sharing	Ofo bike (Apr 2017)	

Source: www.crunchbase.com

3.2.2 Ride-hailing market

Starting from 2014, the ride-hailing market can be described as the "cash-burning war". At the initial stage of the ride-hailing market, dozens of startup companies had emerged into the market

⁷⁰ Nakamura, Yu. "Tencent Becomes Top Shareholder of E-retailer JD.com." 23 Aug. 2016. Accessed 21 June 2017. <<http://asia.nikkei.com/Business/Deals/Tencent-becomes-top-shareholder-of-e-retailer-JD.com>>.

within a short period. After several rounds of knockout with fierce competition, the market has been transferred into the structure of two major players: Didi Chuxing and Kuaidi Dache. What behinds the rapid growth of these two companies is the battle between Alibaba and Tencent. As two Internet giants, they keenly realized the importance of this blue ocean in this mobile Internet era, which is considered as the critical entrance to O2O field. Through the ride-hailing application, two giants were trying to contend for mobile payment market and to form user's habit of using mobile payment. Moreover, the target consumers with high value are beneficial for subsequent development in O2O field. In a word, the one who could take up the head start in the ride-hailing market means it could be in the lead in the field of Internet finance and mobile payment.

To begin with, Tencent invested in Didi Chuxing and integrated it within WeChat application in 2014. (Table 3.1) Following this, Alibaba took its action to invest in Kuaidi Dache, another major player in the beginning of 2015. (Table 3.1) In addition, both of two companies had put great effort to conduct an intensive series of a large amount of cash and discount promotions.

The “cash-burning war” intensively lasted almost throughout the whole year of 2014. Ultimately, it ended up with the merger of these two major players in Feb. 2015. After becoming one company, Didi and Kuaidi together reached 7 million daily rides in 380 cities in China with more than 250 million users.⁷¹ Accordingly, Tencent and Alibaba became co-investors of the company, so that it helped Didi to compete with Uber, the US-based ride-hailing startup company. In August 2016, it was announced that Didi and Uber successfully signed a global strategic cooperation. For the Chinese market, Uber eventually sold its China operations and resources to

⁷¹ Crouch, Erik. "Didi Kuaidi's Rise to Power." *Tech in Asia*. 29 Jan. 2016. Web. 21 June 2017. <<https://www.techinasia.com/china-didi-kuaidi-infographic>>.

Didi Chuxing. The ride-hailing war seems to end up with Didi Chuxing becoming the only final winner to leave in the market, while both Alibaba and Tencent have business ties to Didi. Nowadays, users can find Didi Chuxing both inside Alipay and WeChat Pay.

3.2.3 Bike-sharing market

Thanks to the development of sharing economy, similar with ride-hailing, the bike-sharing application became a sudden boom in the Chinese market from 2016. Around 30 Bike-sharing startup companies have emerged to seize the blue ocean with great potential in this market.⁷² Nowadays, in the first-tier cities such as Shanghai and Beijing, people can easily find a shareable bike on the street because there is no assigned parking station. Instead, thanks to the GPS technology that tracks the location of bikes, users can drop the bike where they want. It is convenient and cheap to use bike-sharing service. As long as you see the bike, you can use a mobile phone to scan the QR code on the bike to unlock and ride immediately at a lower price about 1 Chinese Yuan per 30 minutes.

At the initial stage of this war, Ofo Bike got investment from Ant Financial, the affiliate of Alibaba Group, in Apr 2017; while its major rival Mobike has got three rounds of investment from Tencent since Sep, 2016. (Table 3.1) It is exactly like Didi Chuxing versus Kuaidi Dache in the ride-hailing war. Thus, it seems like that there will be the latest cash-burning war. In April 2017, Ant Financial announced that six ride-sharing applications, including Ofo, U Bike, Bluebike, YounBike, Funbike and Hellobike, will be added to the Alipay platform so that users can use all of

⁷² Fannin, Rebecca. "Bike Sharing Apps In China Pop Up As Latest Startup And Unicorn Craze." *Forbes*. Forbes Magazine, 28 Mar. 2017. Web. 21 June 2017. <<https://www.forbes.com/sites/rebeccafannin/2017/03/28/bike-sharing-apps-in-china-pop-up-as-latest-startup-and-unicorn-craze/#19c19cd1bce>>.

these bikes within one application instead of downloading individual ones.⁷³ Additionally, Alipay will give users accident insurance automatically and usage of bike-sharing services will be linked to users' Sesame Credit, Ant Financial's credit score system as well, which makes users not need to put down a deposit. Similarly, in March 2017, Mobike was added to WeChat Wallet so that users do not need to download the separate application as well.

As the competition has become white-hot, the final winner is yet unknown and the stage of industry reshuffle is about to come. However, the whole industry still has quite a way to go, in terms of government regulations and global expansion. The market will see whether it will be just as with Didi to end up with an acquisition or IPO.

3.2.4 Food delivery market

With the spread and popularity of food delivery startup Ele.me, Food delivery application has become another vital battleground in the O2O market for two giants. Meituan, a Chinese group buying website on local services and products, was launched in 2010, and Dianping, a Chinese local life service and consumer products guide website, was released in 2003. Throughout years of development, these two websites have already accumulated brand awareness and leading market position. Ele.me is a Chinese largest food delivery platform, started up in 2009. It rapidly expanded in 2013 with a 1 billion Chinese Yuan online transaction size. 2014 was the year when Ele.me experienced explosive growth with the online transaction reaching 7 billion Yuan.⁷⁴ The rapid growth of Ele.me has rewritten the structure of food delivery market and also driven the

⁷³ Xiao, Eva. "Alibaba vs Tencent – on 2 Wheels." *Tech in Asia*. 28 Apr. 2017. Web. 21 June 2017. <<https://www.techinasia.com/alipay-adds-bike-sharing>>.

⁷⁴ Xiang, Xin. "Ali invested in Ele.me what takes O2O into the "Three Kingdoms" era, 阿里投资饿了么坐实 外卖 O2O 进入“三国杀”时代." *Tech.qq.com*. Tencent, 7 Apr. 2016. Accessed 21 June 2017. <<http://tech.qq.com/a/20160407/033111.htm>>.

development of the market. (Figure 3.3) The market structure has become the game of competition among three major players, while Ele.me was the market leader, accounting for 30.4% of market share, followed closely by Meituan for 28.3% of market share. (Figure 3.4)

Accordingly, aiming at the market, Alipay chose to invest in Meituan, while Tencent invested in Dianping. As a result, WeChat was featured as a payment option on Dianping, but not Alipay. In 2015, however, these two competitors finally merged into Meituan-Dianping. In consequence, Tencent and Alipay became co-investor again. In the same year, Tencent finished two rounds of investment in Ele.me, while Alibaba restarted and invested in Koubei for two rounds, which is its own local life service guide platform similar with Dianping. In 2016, Alibaba sold its stake in Meituan-Dianping, instead, decided to invest USD \$1.25 billion in Ele.me.⁷⁵ Thus, Alipay eventually became the first payment option on Ele.me and got operational support for its own food delivery platform, Koubei.

As of the first quarter of 2017, Ele.me has remained its market leading position with 36.5% of market share, while Meituan has been still on the heels with 33.0% of market share. (Figure 3.5) As a result of intense competition, the industry development tends to focus on those two major players.

Whether there will be a final winner to finish the cash-burning war is still unknown.

⁷⁵ Carew, Rick. "Alibaba Reaches Deal to Sell Meituan-Dianping Stake." *The Wall Street Journal*. Dow Jones & Company, 28 Jan. 2016. Web. 21 June 2017.
<<https://www.wsj.com/articles/alibaba-reaches-deal-to-sell-meituan-dianping-stake-1453958329>>.

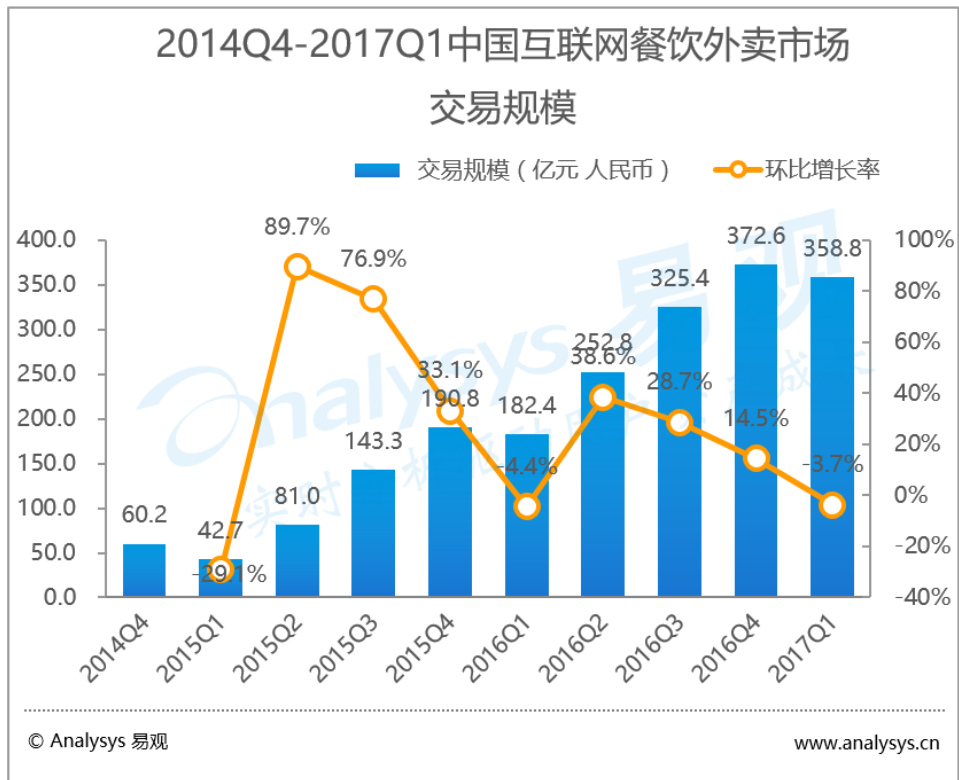
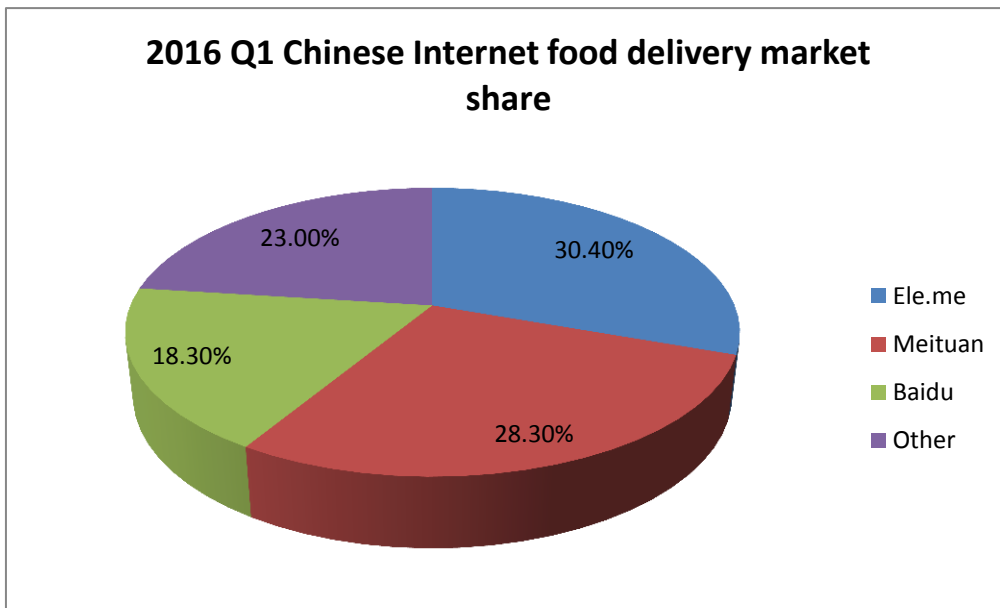
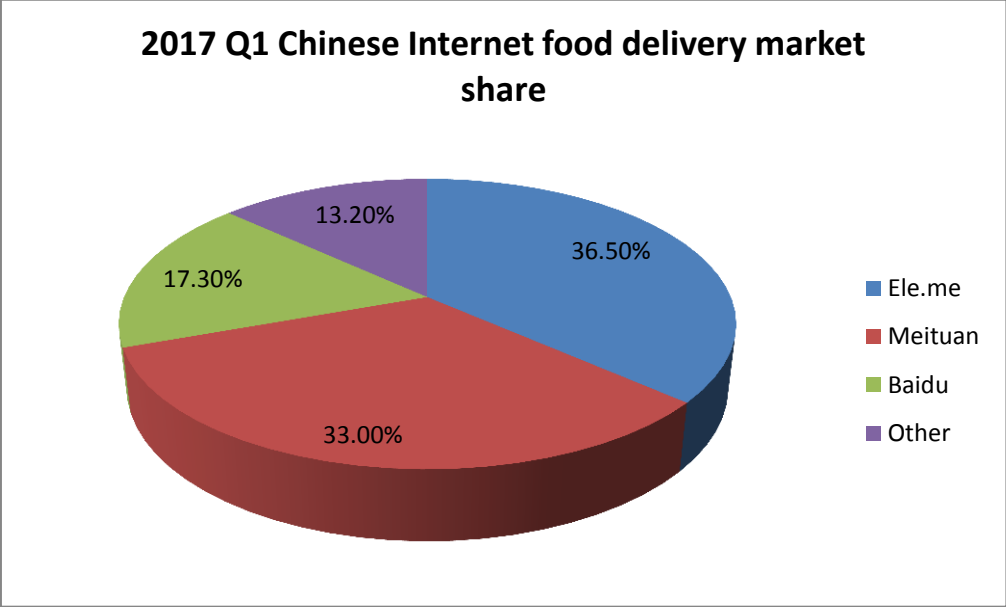


Figure 3.3 2014Q4-2017Q1 Chinese Internet food delivery market transaction size



Source: www.jiemian.com

Figure 3.4 2016Q1 Chinese Internet food delivery market share



Source: www.jiemian.com

Figure 3.5 2017Q1 Chinese Internet food delivery market share

CHAPTER 4. FUTURE PROSPECT AND CONCLUSION

SECTION 4.1 CONCLUSION

In summary, thanks to the entire ecosystem and years of accumulated strength, Alipay currently has still been in the leading position in China's third-party payment for a long time to come. However, as a strong rival, WeChat Pay cannot be underestimated due to the importance of social networking and it has also been working on building its own ecosystem. The whole world has been witnessing this intense battle between two Chinese tech giants, while the battle is still under way. Their competition has driven the construction of ecosystems which extends beyond their original core business covering a wide range of services in e-commerce, social, life, entertaining, gaming and so on. In other words, the biggest winner actually has been Chinese consumers. All of the activities from competition are beneficial for consumers so that brings about great convenience and better services for daily life.

From a macro perspective, as the market pattern has been gradually formed, the whole industry comes to mature with sustainable and healthy development. Due to the high efficiency, low cost and security of third-party payment, the industry has a broad and bright prospect. The next few years, it is mostly like that mobile payment will still play a significant role in the market, because of the importance of social networking and advantages of mobile Internet, as mobile Internet is a mutual connection between consumers and Internet company which the company could take advantage of to develop specific and customized product design and operation.

In terms of their competitive strategy, despite the respective core business, their strategies

almost tend to be synchronized with same ways and actions. Moreover, resulting from continuous battles, Alipay and WeChat Pay together have covered all-around aspects of social life so that there is very little chance left for other competitors. However, it is almost impossible to see the monopoly of one of them happen in the future. Both of them have continually been working on exploring more payment scenarios and offering better services. I believe that further competition will gain more advantages and benefits for both industry and consumers through their leverage of own strengths.

As for recommendations, Alipay and WeChat Pay should be more consumer-oriented than competition-oriented, applying differentiation strategy based on their strengths and core competence, aiming to provide better services and improve the user experience for consumers. As a consequence, the company and also the whole industry will be able to sustainably develop and grow.⁷⁶

SECTION 4.2 OVERSEAS EXPANSION

In addition to their dominance in the Chinese market, both of them have started global expansion actively, especially in Asian countries. Overseas market has become the next major battleground for them. Alibaba has been investing heavily in payment and e-commerce companies, such as Lazada, Southeast Asia's largest online shopping and selling site; Paytm, an Indian payments company; Mynt, a Philippine financial services startup; Moneygram, a US-based money transfer company, etc.⁷⁷ Tencent has been active in Thailand and India as well and investing in a

⁷⁶ Huang, Hui. "A Comparative Study of China's Mobile Payment Business Models, 我国移动支付商业模式的比较研究." *Financial Economy* 5 (2015): 81-85.

⁷⁷ Xiao, Eva. "How WeChat Pay Became Alipay's Largest Rival." *Tech in Asia*. 20 Apr. 2017. Accessed 22 June

diversity of business, covering e-commerce, healthcare startup, e-book provider and so on.

Furthermore, thanks to the advanced technology, these two platforms are also great tools for foreign companies to entry Chinese market and attract Chinese consumers globally. Additionally, some overseas tech companies got inspired by Alipay and WeChat Pay's technology and start to add similar functions into their products. For instance, Facebook is trying to add functions of ride-hailing and in-app payment within Messenger. Meanwhile, Apple announced that new iOS 10 will add transfer payment functions into iMessage.⁷⁸

So far, the reality is that "outside of China, there is little understanding about Alipay or WeChat Wallet", said Gitlin.⁷⁹ Thus, along with the aggressive overseas expansions, it is excited to see how Alipay and WeChat Pay will impact the rest of the world in the near future and which one of them will be more successful in the global market.

2017. <<https://www.techinasia.com/wechat-pay-vs-alipay/>>.

⁷⁸ Pasternack, Alex. "How WeChat Became China's App For Everything." *Fast Company*. Fast Company, 2 Jan. 2017. Accessed 16 June 2017.

<<https://www.fastcompany.com/3065255/china-wechat-tencent-red-envelopes-and-social-money/>>.

⁷⁹ Chen, Yuyu. "How Starbucks, JD and Didi Tap into WeChat Wallet." *Digiday*. 17 Feb. 2017. Accessed 22 June 2017. <<https://digiday.com/marketing/how-brands-use-wechat-wallet/>>.

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