Overview of Popular Online Payment Methods in China

Market Insights
China is an important market for global e-commerce companies, and it will be for years to come. These numbers speak for themselves:

- Nearly 350 million online shoppers (537 million internet users)
- China online e-market worth 2,730 billion Yuan in 2015
- Online sales will grow at an impressive average rate of 30% annually to at least 2015

Online Payment: Consumer Trust is Crucial
Internationally branded credit cards are generally uncommon in China – offline and online. E-Wallets and Cash on Delivery (COD) tend to be the preferred payment methods.

a) Cash on delivery (COD) in China is a popular online payment method that allows the purchaser to pay at the time of delivery (generally to the shipping company), rather than paying at the time of purchase. There is a preference in China towards this payment method because goods can be quality assured by the receiver prior to payment. COD payments can be made via cash, certified check or money order.

b) E-Wallets are also popular. Alipay holds the largest market share, with more than 700 million registered account holders with more than 8.5 million transactions daily. Payments must be funded through a trusted third party or via direct consumer authorization.

c) Credit cards are one of the most popular forms of payment for goods and services across the world. China is no different with 4.2 billion cards in circulation. However, the key difference between China and the West is that online credit card payments are extremely low, at approximately 5%. International cards such as Visa and MasterCard are not common China online payment methods due to the low-trust associated with them in China, and are instead being mainly used by foreign nationals only. There is a much higher trust associated with Chinese credit card network UnionPay.

d) Debit cards issued by local banks are popular, but the question of security remains an obstacle to their growth as an online payment method. Consumers will use them online if they feel secure about the payment process. Again, this
means that the cards must be issued by a trusted third party and/or allow consumers to authorize the transaction directly with their bank.

e) Bank Transfer is made up of online bank transfer (E-banking) and offline bank transfer. Due to complicated procedure, charge fee, and security issues, online bank transfer market is relatively smaller than online third party payment. Security issue is the biggest hindrance of the development of E-banking. Users are afraid that hackers will steal their bank account. Another factor is that online bank transfer has a more complicated procedure that drive users to use simple and fast third party payment solution.

**Popular Online Payment Methods in China**

Below is a chart that illustrates the market share of online payment services regarding transaction volume in H1, 2014 according to the latest data from iResearch, July 2014.

![Pie chart showing market share of online payment services in China]

**Alipay**

Alipay is the clear leader in online payments in China. As of end 2014, Alipay had more than 700 million members and a daily transaction volume of over 225 billion Yuan (USD $36.1 Billion), making it the largest online payment platform in the world both in terms of users and transaction volume. Alipay is the only payment system used on Taobao, the eBay of China. It is mainly used for C2C and B2B transaction payment as well as online gaming, digital content, and air tickets. Alipay has arrangements with over 60 Chinese banks, Visa and MasterCard.
Overview of Popular Online Payment Methods in China

TenPay
TenPay is an online payment system developed by Tencent which the most successful instant messaging service in China. With Tencent’s "close to 1 billion" plus users, TenPay gained an instant foothold in the market. Besides the same basic payment functions the other payment solutions have, TenPay also allows users to use their QQ points or QQ credits. This makes TenPay a great solution for any businesses related to QQ games, QQ numbers and other QQ services.

Available payment options for both Alipay & Tenpay:
- Escrow – Payment is made by buyer before product is shipped and payment is released when product is received. This is the standard form of payment for any physical products.
- Immediate payment – This option is normally used to pay for hotel room bookings, flight bookings or other items that do not need to be shipped.
- Both escrow and immediate payment – the buyer can be given the choice.

99Bill
99Bill is another leading online payment service provider in China, offering a comprehensive suit of secure, safe and convenient electronic payment solutions to all kinds of enterprises and individuals. 99Bill is a leading Shanghai-based independent third-party payment service provider, offering a comprehensive suit of secure, safe and convenient electronic payment solutions to all kinds of enterprises and individuals. It is mainly used for C2C, B2C, B2B, donation, discount bond, and mobile phone recharge transaction payment. 99Bill’s fees are quite competitive, but only for Chinese companies. Some websites will install both Alipay and 99Bill because this allows them to make payment more convenient for customers that only use one of these platforms. 99Bill can accept payments from over 30 Chinese banks, Visa and MasterCard.

Available payment options:
- Immediate payment only

Other Online Payment Systems in China
Some other Chinese payment platforms have advantages in certain situations. For example, ChinaPnR is specialized in phone call and prepaid payments, whereas CnCard is specialized in online game payments, and online lottery payments.
Overview of Popular Online Payment Methods in China

a) China PnR
China PnR is a third party payment enterprise devoting to offering customized payment and settlement service to industries. It has obtained the biggest market share in the fields of air ticket and fund management, and at the same time, it also provides services to over 10 thousand customers in respect of online shopping, digital entertainment, insurance and commercial circulation.

b) YeePay
YeePay is a Beijing-based e-payment service provider based in Beijing enabling users to make and receive payments over the Internet, mobile and telephone, especially for e-ticket, tourist, and digital content payment.

c) Huanxun IPS
Headquartered in Shanghai, International Payment Solutions (IPS) is one of the pioneers in the third-party payment industry in China. IPS is an online platform for China mainland debit card users that provides a secure payment environment. IPS conducts transactions with all major domestic banks in China as well as numerous international credit card companies including VISA, MasterCard, JCB and Singapore's NETS. It is also the strongest online payment platform for China debit cards as it processes tens of thousands online transactions originated from Mainland China, Hong Kong, Macau and Singapore.

d) PayEase
PayEase currently focuses on Payment Service Platform that covers mobile, online, call
center (CRM), retail / POS and data mining of customers’ profile. It is mainly used for B2C, B2B, and public bill (mobile phone recharge, Internet access fee, exam entry fee, and donation).