

## China to Become Largest Mobile Payments Market Globally

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On the back of rapid growth in its mobile telephony sector, China is set to become the world's dominant mobile payments (m-payments) market by 2015. The Asian country continues to

record historic landmarks in mobile communications, with the country already home to the largest number of mobile subscribers and smartphone users worldwide. A natural progression in the sector has been towards the utilisation of wireless handheld devices in making payments for goods and services, with segments such as remittance services, banking, couponing, retailing, media and game downloads, and near-field communications (NFC) seeing growing opportunities as a result.

### Combination of two key segments will drive Chinese m-payments industry

China has two key ingredients essential to [the development of m-payments](#) - a huge mobile telephony sector and strong usage of bank cards:

- Driven by its huge population of 1.3 billion, China has raced ahead of the world in terms of its mobile market, reaching 1.1 billion mobile telephone subscribers in 2012. The strength of domestic manufacturers, such as Huawei and ZTE, and the provision of affordable handsets have driven telecom take-up;
- Industry sources also estimate that China is the world's largest market for bank card usage. Rapid urbanisation and growing accessibility of banking has boosted the number of electronic bank cards in circulation, which is making the transition to m-payments easier for customers. The country's large rural unbanked populace is also a key target audience for m-payment providers;
- As China looks to become a more knowledge-based economy, focusing greater on technological development than base manufacturing industries, the government has approved measures to digitalise Chinese consumers, encouraging greater participation in electronic transactions. Smartphone usage has exploded as a result, with the Chinese smartphone market reaching a world-leading retail value of US\$23.8 billion in 2011.

### Huge online retailing and remittance segments to provide m-payment base

A large number of Chinese citizens living abroad is providing a strong expansion base for mobile remittance payments, especially among the country's rural populace (made up of 190 million households in 2012), many of whom depend on funds sent across by SMS banking transfer payments. [Chinese remittance inflows](#) amounted to US\$66.3 billion in 2012.

Rapid Internet retailing growth is seeing the industry crossover to wireless handheld platforms, as a lack of PC ownership in rural areas or an on-the-go lifestyle in urban centres is facilitating greater mobile purchases by Chinese consumers. The Internet retailing segment was worth US\$64.4 billion in 2012.

The huge liquidity within these two segments and their natural adoption to m-payment solutions will position China as the world's top market for mobile transactions by 2015, according to trade sources.

### **International partnerships and investments fuelling m-payment infrastructure**

International payment technology specialists such as Visa and France's Gemalto are actively working with Chinese companies, including UnionPay (the country's only domestic bank card organisation), to develop a secure NFC (a data transmitting wireless technology) ecosystem. This should take the local m-payment landscape to a new level, allowing burgeoning industries such as electronic couponing and point-of-sale content downloads to flourish.

Meanwhile, massive state focus on investing into mobile broadband networks, underlined by domestic operator China Mobile's claim to develop the world's largest 4G LTE network at a cost of US\$ 6.7 billion, as announced in March 2013, are boosting the market for paid mobile application and media downloads due to improved speeds and coverage.

Infrastructural investment, a large population, segments tailored to handset transactions, technological progress and the world's largest mobile telephony sector will be factors that ensure China becomes the dominant m-payment market globally over the 2013-2015 period.

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