

# Banking Automation **BULLETIN**

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## **Cards drive continued growth of cashless payments**

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Financial wellness – customer centricity at its best

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Combination of machines and humans for optimal experience

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Australians opt for debit cards as cash use continues to fall

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E-money sees exponential growth in Indonesia

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## **Country profile: New Zealand**

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## What is the relationship between card and mobile payments in China?

In most countries, mobile payments are a subset of the larger cards market – purchases appear on users' card statements and could just as easily have been made with a contactless card, and in most cases also with a traditional chip and PIN or magnetic stripe card.

The situation in China, where most face-to-face mobile payments are made with mobile apps using QR codes, could not be more different. The phenomenal growth in such payments over the past five years was for many customers their first use of electronic payments – these customers have completely bypassed the traditional payment cards market. As a result, the Chinese cards and mobile payments markets are relatively distinct, and rather than cannibalising each other, up to now they have mainly complemented each other.

As we discuss in our China Payments article (starting on page 4), the total value of card payments in China grew by 25% in 2019, slower than the 61% growth in the number of payments, indicating a decrease in average transaction value. Cards have historically been used for larger purchases and in more established merchants, but this is now changing, putting cards in more direct competition with QR-code payments for face-to-face transactions.

The two dominant players in Chinese mobile payments, Alipay and WeChat Pay have apps that offer a number of different payment solutions. For face-to-face transactions, either the merchant scans the customer's mobile phone, or the customer scans a merchant QR code – the latter, in particular, makes it very easy for even the smallest of merchants to accept mobile payments. It will not be easy for traditional payment cards to penetrate these smaller sectors however, not just because they are already a long way behind, but also because the mobile app companies are continuing to invest in new technology and roll out new features; recent examples include the use of facial recognition instead of QR codes and solutions for foreign visitors who are increasingly finding that cash and cards are not always accepted.

Going forward, the competition in China between traditional card payments and third-party mobile payment providers is only going to intensify, but will we see a similar scenario unfold in other countries? The short answer is no, and the slightly longer answer is not for now, especially in countries where card acceptance infrastructure is already well established, so the motivation for users to switch is low.

Dominic Hirsch, Editor

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**Editor** Dominic Hirsch

**Managing Editor** Morten Jorgensen

**Assistant Editor** Tomomi Kimura

**Contributors** Jeff Bender, Jeni Bloomfield, Robert Chaundy, Eleanor Duerden, Mandy Eagle, Alison Ebbage, Alex Kirk, Felix Kronabetter, Amita Mistry, Karolina Rachwol, Gillian Shaw

**Subscriptions Manager** Abigail Milne

For all editorial and advertising enquiries:

Telephone: +44 20 8831 7300 Fax: +44 20 8831 7301

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ISSN 1748-5304

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393 Richmond Road  
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