

Session One: 2.00 pm – 3.30 pm - ‘Mobile Payments in China’

Session Chair/ Moderator: *Peter Kan, Partner, KPMG*

Presenters

Alamusi, Head of Policy Committee, China E-Commerce Association of **MI**

Zhang Bin, Managing Director, China **Union Mobile Pay**

Greg Shen, CEO & President, **SmartPay**

Edmund Hung, **Maverick China Research**

Q&A

Session Two: 4.00 pm – 5.30 pm – ‘Mobile Payments in Asia: Prospects & Pitfalls’

Session Chair/ Moderator: *Assoc. Prof. John Ure*, Director **TRPC**

Presenters

Greg Walter, CEO & Founder, **QPay**

Antony Morris, Head of Corporate Development, **Octopus Cards**

John McCann, Head of Business Development, AP, **Citibank**

Q&A

The joint TRPC-KPMG (2007) report ‘Mobile Payments in Asia Pacific’¹ formed the background for this forum. In his opening remarks, **Peter Kan, KPMG Partner**, outlined the key findings of the report, namely the multiple mini-ecosystems that exist across different Asian markets, some operator-centric, some bank-centric, others payments platform-centric, others driven by vendors, and so forth, and the different business models associated with each. Such diversity points to the need to understand individual markets and the stakeholders in each of those markets, providing a neat lead-in to the afternoon’s proceedings.

The first session of the forum was to understand the China market. **Mr. Alamusi, Head of the Policy Committee of the China E-commerce Association under the MI**, discussed the all-important role of policy and regulation in China, outlining different laws and regulations that overlap in the area of financial regulations, online payments, e-commerce, data security, etc., each of which has implications for, but none of which directly addresses the issue of, m-payments. The rule-making process in China is a lengthy one because it is based upon consensus among and mediation between many different stakeholders, whereas the rise of online payments in general, and of m-payments in particular, may require clear guidelines if it is not to be impeded. **Cindy Huang (on behalf of Zhang Bin, Managing Director), China Union Mobile Pay**, provided a detailed account of the leading role CUMP was playing in China to create a successful market and business case for m-payments. Her presentation outlined the technology as well as the business models being rolled out across China. The outstanding question remains whether an oligopolistic market can provide the innovative stimulus for m-payments, or whether oligopoly provides economies of scale and *de facto* standards sufficient to make a success of m-

¹ http://www.trp.hku.hk/publications/mobile_payments.pdf

payments.

Greg Shen, CEO & President, SmartPay, in part tried to answer that question by explaining how his company which specializes in payment processing is platform independent and can therefore work with any of the players. He stressed the multiple stakeholders in China, ranging from m-payment service providers and mobile operators, to banks, third party payment platforms and merchants. The m-payments market is difficult to break into; it is not yet mature, and is dominated on the operator side by just two players, yet the potential is huge... the forecast for end-2008 is RMB 4,12 billion. **Edmund Hung, Maverick China Research**, also answered the question, but mostly in the negative. China Mobile and China Unicom have yet to reach agreements on standards, thus threatening to keep the market fragmented; new entrants have difficulty coming to profitable business arrangements with the network operators, and China's credit card penetration rate remains desperately low, little over 50 million, although growing. The outlook for m-payments therefore looks more positive than exciting unless and until these barriers are removed, the market more open and the regulations, for example issues of liability, clearly established.

Prof. John Ure, Director TRPC, chaired Session Two which drew upon the experience of companies outside China who were closely involved in the evolution of m-payments. **Greg Walter, CEO & Founder, QPay**, spoke about the role of his Australian-based transactions services company which like SmartPay in China offers payments processing services, leaving the actual transactions and financial accounting to the merchants and the banks. Citing estimates and forecasts, Greg believes that m-payments globally will grow from US\$47 billion today to around US\$1.7 trillion by 2015 compared with total e-payments of US\$1.5 trillion today. The ranking of revenue sources by 2015 will be Banking (1), NFC (2), Remote (3), Premium Services (4), while the ranking of profit sources will be Remote (1), Premium (2), NFC (3) and Banking (4). To make this happen, Greg stressed the need for stakeholders to collaborate, each playing their selective roles. **Antony Morris, Head of Corporate Development, Octopus Cards**, gave his insights into how a highly successful – probably the world's most successful – 'touch and pay' card which is ubiquitous in Hong Kong (used for transport services, stores, libraries, security passes, parking meters, etc) can make the transition to a world of m-payments. An initial product launched with Nokia handsets was dropped a few years back, partly due to the problem of the aerial being built into the cover rather than the phone itself creating added costs every time the phone model was to be updated, but the industry direction with NFC of building the antenna into the phone itself overcomes these problems.

The key however is customer convenience. Customers will not choose to migrate to m-payments as a service by changing handsets, but they will use it if it comes with the phone. As a trusted third party, Octopus demonstrates the crucial lesson of stakeholders focusing on their core competence and collaborating. **John McCann, Head of Business Development, AP, Citibank** spoke on behalf of a bank that has been in the forefront of trials in m-payments. He outlined four principle test issues that any m-payments scheme must pass: cost efficiency in processing payments, a good means to service existing payments flows such as remittances and transportation payments, provide a workable financial margin for the stakeholder, and most crucially must add value to the established behavioural patterns of the consumer – in other words m-payments must offer a sufficiently attractive alternative that does not require a major change in consumer habits. He also drew a distinction between mobile messages that are meaningful,

such as 'your house insurance policy has expired' to messages that are actionable such as 'would you like to renew your house insurance?' where the latter then only requires a maximum of two clicks (here he echoed a point made by Greg Walter) on the handset to initiate the renewal.

Conclusions: after a lengthy period of discussion and questions from the floor during both sessions, Prof John Ure summarized with three basic points: (i) there is a real need for policies and enabling regulations to be put in place if m-payments in its many different guises is to take-off; (ii) innovation which drives markets is best achieved if the market is open to new entrants and new business models; (iii) stakeholder collaboration is essential and is the only way to achieve standards and inter-operability and to avoid market fragmentation.