# AlipayHK Smart Payment
# Popularity Index
# 2018H2

*February 2019*

**Content**

# 1. Introduction

## 1.1 Background

Smartphone has become an integral part of our daily lives. We are already using it for various activities such as communications, Internet browsing, photo-taking, video-shooting, gaming, just to name a few. Recently, this all-in-one device has also been fitted with the payment function, offering us the opportunity to dispense with banknotes, coins and plastic credit cards in our wallets.

In Hong Kong, the smart payment market has been gaining momentum in recent years. Hence, it is worthwhile to assess the progress and study the factors that affect the smart payment market development, since payment is an essential economic activity in our daily lives, and its digitalisation serves as a foundation element for the growth of a smart city.

## 1.2 Definition of Smart Payment

In this report, "Smart Payment" is defined as a payment for goods or services with a mobile phone or smart devices and without cash. It can occur in the following situations:

- Contactless Payment via mobiles
- Contactless Payment via smart devices (e.g. watch)
- Payment via scanning QR Code
- P2P transfer via eWallets
- Inbuilt App Payment systems



*Contactless credit card is a new non-cash method that is emerging to the market. However, it requires a specific physical card for the payment, hence is not treated as "Smart Payment" in this report.

## 1.3 AlipayHK Smart Payment Popularity Index

In view of this, the Hong Kong Productivity Council (HKPC) has developed a comprehensive framework to construct a Smart Payment Popularity Index, to keep track of the popularity of smart payment in Hong Kong from the perspective of both retailers and consumers.

In 2018, HKPC conducted the first survey using this framework with the sponsorship of AlipayHK. The index is named the **AlipayHK Smart Payment Popularity Index** ("the Index"). The methodology of the **AlipayHK Smart Payment Popularity Index Survey** ("the Survey"), the design of questionnaire and the execution of the interview were decided and conducted by HKPC independently.

## 1.4  Special Topic – E-Payment for Transport and Outbound Travel

Besides the Index, the Survey also picks special topics each time for an in-depth study. For the latest survey (second half of 2018, 2018H2), "E-Payment for Transport and Outbound Travel" was chosen.

Smart living is part of a global trend to enhance people's quality of living through technology. When we talk about smart living, smart transportation is definitely an indispensable component. Hong Kong had been a leading district in the adoption of the smart card system in transportation for over 20 years. With the technology and application advancements of mobile devices, it is believed that the future of smarter transportation lies with the use of mobile payment.

Similarly, visiting abroad is becoming more convenience and common with the easiness in travelling all around the world for most of us. Hence, smart living is not only limited to local city, but has also been widened to the global arena. Payment technology is definitely the first thing to mention with dining, shopping, accommodation - all involving transactions.

To further promote a smarter lifestyle of citizens, it is essential to understand their willingness and concerns towards such smart payment feature in Transportation and Outbound Travel for better strategy planning.

## 1.5  Structure of Report

This report sets out the approach and methodology in conducting the study, presenting the survey findings and then concluding the analysis.

Following this introductory chapter, the rest of this document is structured as follows:

- Chapter 2 describes the methodology of the study in detail;
- Chapter 3 presents the result of Popularity Index in 2018H2;
- Chapter 4 presents other major findings and data analysis results;
- Chapter 5 summarises the key findings and conclusions.

## 2. Methodology

### 2.1 Framework of the AlipayHK Smart Payment Popularity Index

The AlipayHK Smart Payment Popularity Index is derived by evaluating the popularity of smart payment in Hong Kong from the views of both retailers and consumers. It comprises the "Retailer Smart Payment Readiness Level" and "Consumer Smart Payment Acceptance Level". The Index is in the range of 0 to 100. The higher the number, the higher popularity of smart payment is expected.

"Retailer Smart Payment Readiness Level" includes four component sub-indices

- Willingness to adopt smart payment
- Technology readiness of the company
- Knowledge and perceptions towards the smart payment market
- Staff's knowledge in operating smart payment tools

"Consumer Smart Payment Acceptance Level" includes four component sub-indices

- Willingness to adopt smart payment
- Habits in using smart payment and relevant device
- Knowledge and perceptions towards the smart payment market
- Confidence in payment security
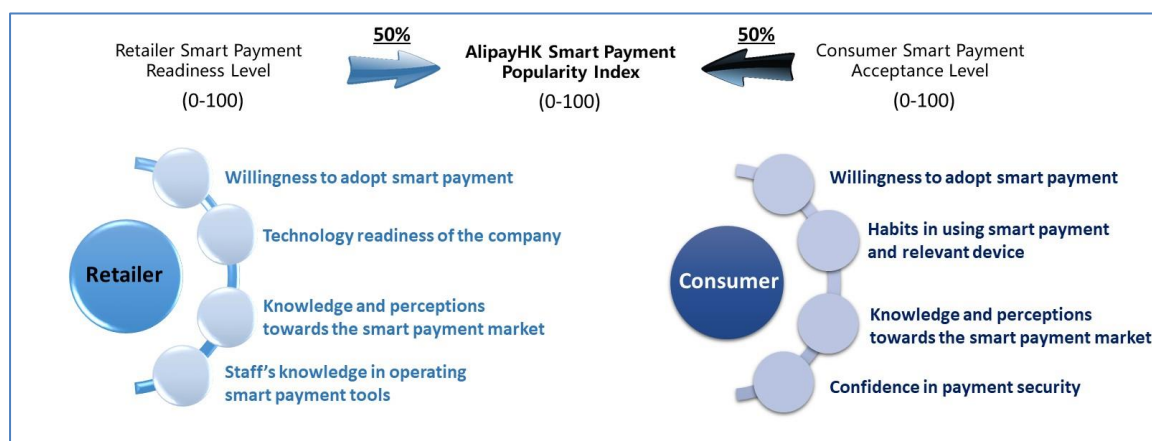
## 2.2 Study on Retailers

2.2.1    Sampling and Data Collection

Data was collected by telephone interviews with no less than 400 retailers in each survey. The sample was randomly selected from publicly available directories and the HKSAR Census database.

To guarantee that the view of every targeted industry was captured and represented in the study, while considering the actual proportion in the population, quota sampling was adopted to cover 8 main categories accordingly to the major retailers in Hong Kong, namely:

1.  Clothing, footwear and allied products,
2.  Consumer durable goods,
3.  Food, alcoholic drinks and tobacco,
4.  Food and beverage (with catering service),
5.  Jewellery, watches and clocks, and valuable Gifts,
6.  Medicines and cosmetics,
7.  Supermarkets, convenience store and department stores,
8.  Miscellaneous consumer goods

2.2.2    Profile of Respondents

The current survey successfully gauged the views of management level from 404 companies in Hong Kong.

As shown in the figure, at least 7% of responses are collected for each business category, with 20% from both "Clothing, footwear and allied products" and 19% from "Food, alcoholic and tobacco".

### Retailer Respondents – Business Distribution



- Clothing, footwear and related products
- Consumer durables (vehicles, household appliances, etc.)
- Food, alcoholic beverages and tobacco
- Food and beverages (with catering service)
- Jewellery, watches and clocks, and valuable gifts
- Medicines and cosmetics
- Supermarkets/convenience stores/department stores
- Miscellaneous consumer goods
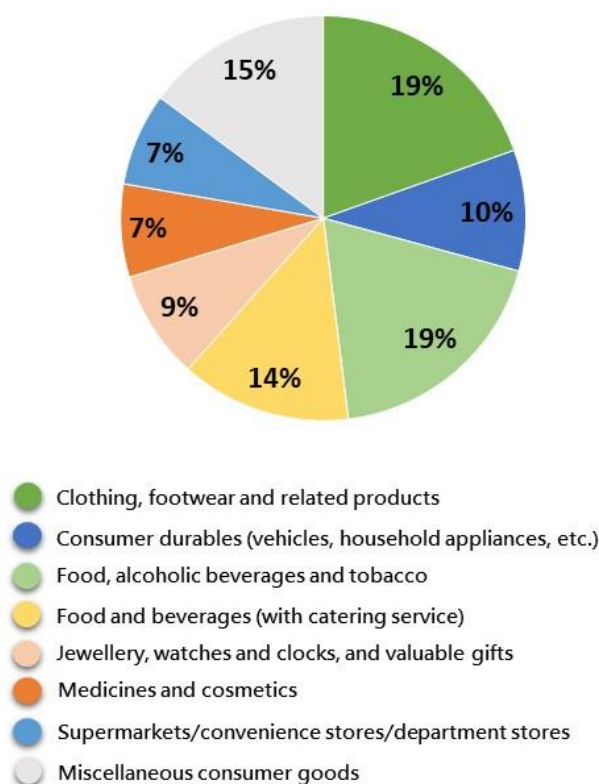
Among the 404 respondents, 84% of them were Small and Medium Enterprises (SMEs) and 16% of them were Large Enterprises.

SMEs
84%

Large Enterprises
16%

| | Size of Company (Number of Staff) | | | | | |
|---|---|---|---|---|---|---|
| | 1-5 | 6-20 | 21-50 | 51-100 | 101-500 | >500 |
| Clothing, footwear and allied products | 38% | 28% | 11% | 10% | 11% | 1% |
| Consumer durable goods | 51% | 33% | 5% | 3% | 5% | 3% |
| Food, alcoholic drinks and tobacco | 51% | 32% | 7% | 4% | 3% | 4% |
| Food & beverage (with catering services) | 22% | 36% | 25% | 9% | 7% | 0% |
| Jewellery, watches and clocks, and valuable gifts | 26% | 41% | 15% | 9% | 3% | 6% |
| Medicines and cosmetics | 30% | 27% | 17% | 7% | 17% | 3% |
| Supermarkets, convenience store and department stores | 27% | 37% | 23% | 3% | 7% | 3% |
| Miscellaneous consumer goods | 43% | 30% | 17% | 3% | 7% | 0% |
| | | | | | | |
| **All Business Nature** | **38%** | **32%** | **14%** | **6%** | **7%** | **2%** |

## 2.3  Study on Consumers

2.2.1.  Sampling and Data Collection

Data was collected by telephone interview with no less than 1,000 Cantonese-speaking Hong Kong consumers of aged 15 - 64 in each survey.

A contact database was generated using known prefixes (including both landline and mobile numbers) assigned to telecommunication services providers under the Numbering Plan provided by the Office of the Communications Authority (OFCA).

To guarantee that the view of every age group was captured and represented in the study, while taking into account the actual proportion in the population, quota sampling was adopted to cover 4 main age groups, namely:

1.  Aged 15 - 24
2.  Aged 25 - 34
3.  Aged 35 - 49
4.  Aged 50 - 64

2.2.2.  Profile of Respondents

The survey successfully gauged the views of 1,021 Hong Kong consumers in the above-mentioned age groups.

As shown in the below figure, two thirds of the respondents were aged 50 - 64 (34%) and aged 35 - 49 (33%). In term of gender, 55% were females.
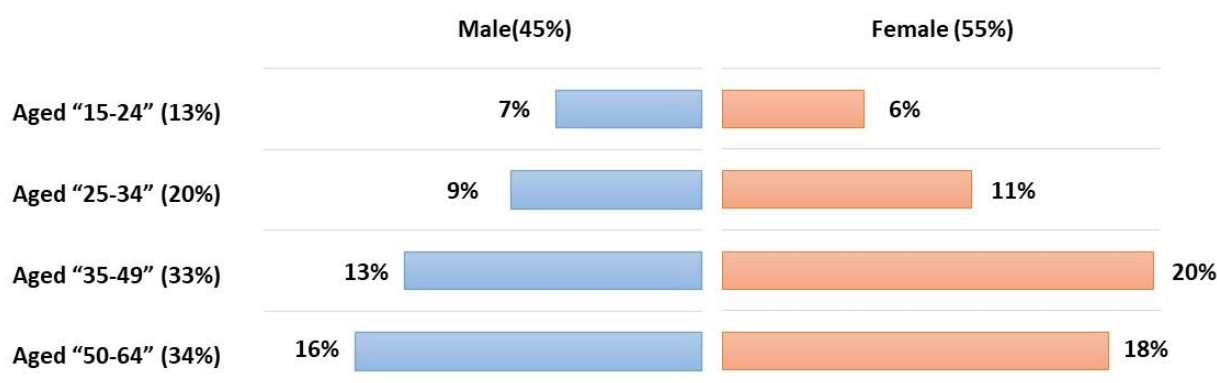
# 3. AlipayHK Smart Payment Popularity Index

## 3.1 SPPI 2018 H2 Result

The index comprises the "Retailer Smart Payment Readiness Level" and "Consumer Smart Payment Acceptance Level", which evaluates the popularity of smart payment in Hong Kong from the perspective of both retailers and consumers. The Popularity Index is in the range of 0 to 100. The higher the number, the higher popularity of smart payment is expected.

The index in second half of 2018 was reported at 62.2, 8.3 points higher than half year ago, reflecting the steady progress of Hong Kong's "Smart Payment" development.

| Component | Weighting | 2018 H2 | 2018 H1 | Change |
|---|---|---|---|---|
| Retailer Smart Payment Readiness Level | 50% | 68.6 | 62.2 | +6.4 |
| Consumer Smart Payment Acceptance Level | 50% | 55.9 | 45.5 | +10.4 |
| **AlipayHK Smart Payment Popularity Index** | | **62.2** | **53.9** | **+8.3** |



AlipayHK Smart Payment Popularity Index
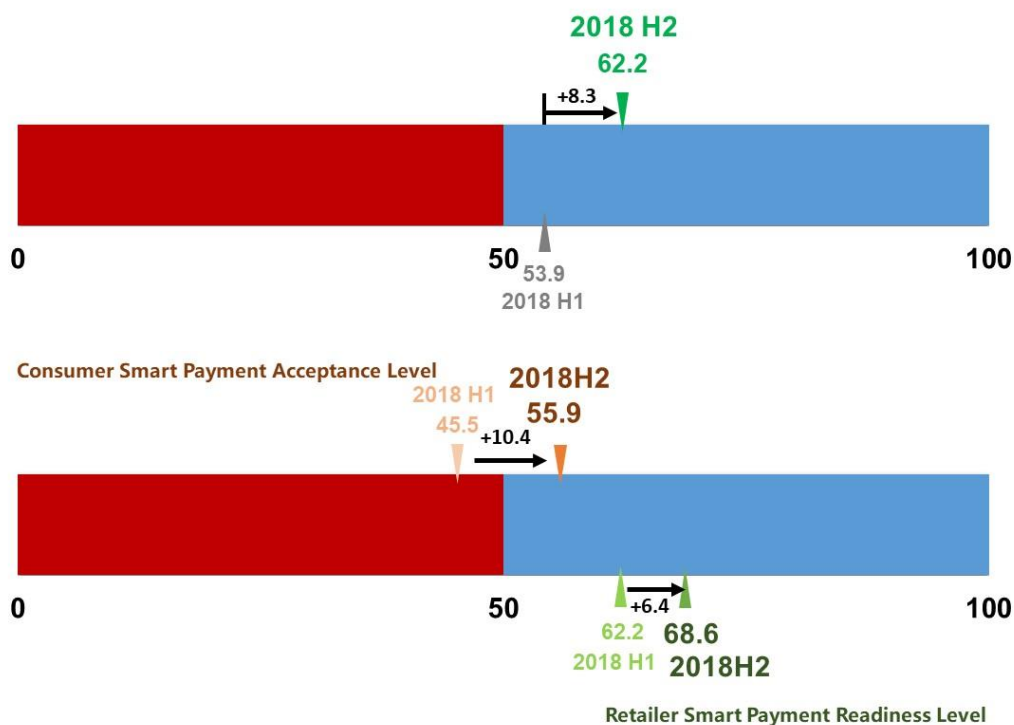
## 3.2 Retailer Smart Payment Readiness Level

The Retailer Smart Payment Readiness Level measures the readiness of retailers towards smart payment in the following four component sub-indices:

| Component sub-indices | Weighting | 2018 H2 | 2018 H1 | Change |
|---|---|---|---|---|
| Willingness to adopt smart payment | 25% | 76.7 | 61.2 | +15.5 |
| Technology readiness of the company | 25% | 66.0 | 58.4 | +7.6 |
| Knowledge and perceptions towards the smart payment market | 25% | 73.3 | 73.3 | ±0.0 |
| Staff's knowledge in operating smart payment tools | 25% | 58.2 | 56.0 | +2.2 |
| Retailer Smart Payment Readiness Level | | 68.6 | 62.2 | +6.4 |

All four component sub-indices went up in the latest survey. Among them, "Willingness to adopt smart payment" sub-indices was the highest at 76.7, up 15.5 from the first survey, while "Knowledge and perceptions towards the smart payment market" was unchanged at 73.3. "Technology readiness of the company" and "Staff's knowledge in operating smart payment tools" registered scores of 66.0 and 58.2 respectively.



### Retailer Smart Payment Readiness Level
### Component sub-indices
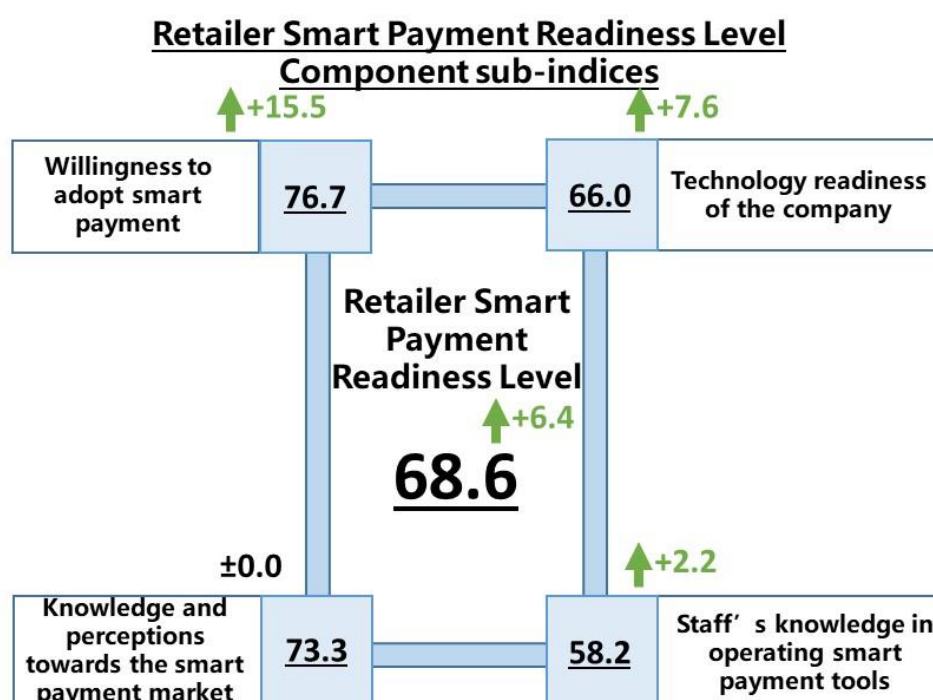
In terms of business nature, "Medicines and cosmetic" (74.8) had the highest level of readiness; followed by "Jewellery watches and clocks, and valuable gifts" (73.7); while "Food & Beverage (with catering services)" (65.2) and "Consumer durable goods" (63.2) were the lowest.

| Component sub-indices | CFA | CDG | FAT | F&B | JWV | M&C | SCD | MCG | ALL | 2018 H1 | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Willingness to adopt smart payment | 82.3 | 73.9 | 73.6 | 72.0 | 81.4 | 76.8 | 83.0 | 73.0 | 76.7 | 61.2 | +15.5 |
| Technology readiness of the company | 70.6 | 57.7 | 62.3 | 61.4 | 73.6 | 78.2 | 71.5 | 61.1 | 66.0 | 58.4 | +7.6 |
| Knowledge and perceptions towards the smart payment market | 73.1 | 70.4 | 70.8 | 74.1 | 78.0 | 75.3 | 70.2 | 75.8 | 73.3 | 73.3 | ±0.0 |
| Staff's knowledge in operating smart payment tools | 63.0 | 50.6 | 56.7 | 53.4 | 61.8 | 68.8 | 62.1 | 54.0 | 58.2 | 56.0 | +2.2 |
| Retail Smart Payment Readiness Level (2018 H2) | 72.2 | 63.2 | 65.9 | 65.2 | 73.7 | 74.8 | 71.7 | 66.0 | 68.6 | 62.2 | +6.4 |
| 2018 H1 | 66.1 | 59.2 | 62.5 | 57.0 | 73.7 | 66.3 | 63.4 | 56.5 | 62.2 | | |
| Change | +6.1 | +4.0 | +3.4 | +8.2 | ±0.0 | +8.5 | +8.3 | +9.5 | +6.4 | | |

**CFA:** Clothing, footwear, and allied products
**CDG:** Consumer durable goods
**FAT:** Food, alcoholic drinks and tobacco
**F&B:** Food & Beverage (with catering services)
**JWV:** Jewellery watches and clocks, and valuable gifts
**M&C:** Medicines and cosmetic
**SCD:** Supermarket/ Convenient Store/ Department Store
**MCG:** Miscellaneous consumer goods
**ALL:** All business nature

**Retailer Smart Payment Readiness Level**
**Business Nature**

| Business Nature | Value | Change |
|---|---|---|
| All Business Nature | 68.6 | +6.4 |
| Clothing, Footwear and Allied products | 72.2 | +6.1 |
| Consumer durable goods | 63.2 | +4.0 |
| Food, Alcoholic drinks and tobacco | 65.9 | +3.4 |
| Food and Beverage (with catering service) | 65.2 | +8.2 |
| Jewellery, Watches and clocks, and Valuable Gifts | 73.7 | ± 0.0 |
| Medicines and Cosmetics | 74.8 | +8.5 |
| Supermarkets, Convenience store and Department stores | 71.7 | +8.3 |
| Miscellaneous consumer goods | 66.0 | +9.5 |

## 3.3 Consumer Smart Payment Acceptance Level

The Consumer Smart Payment Acceptance Level measures consumers' acceptance of smart payment in the following four component sub-indices:

| Component sub-indices | Weighting | 2018H2 | 2018H1 | Change |
|---|---|---|---|---|
| Willingness to adopt smart payment | 25% | 71.6 | 56.0 | +15.6 |
| Habits in using smart payment and relevant device | 25% | 44.7 | 32.5 | +12.2 |
| Knowledge and perceptions towards the smart payment market | 25% | 65.2 | 55.6 | +9.6 |
| Confidence in payment security | 25% | 42.0 | 37.8 | +4.2 |
| **Consumer Smart Payment Acceptance Level** | | **55.9** | **45.5** | **+10.4** |

All the sub-indices went up with the highest increment in "Willingness to adopt smart payment". Yet, "Confidence in payment security" (42.0) and "Habits in using smart payment and relevant device" (44.7) sub-indices were still below the 50-mark.

**Consumer Smart Payment Acceptance Level**
**Component sub-indices**
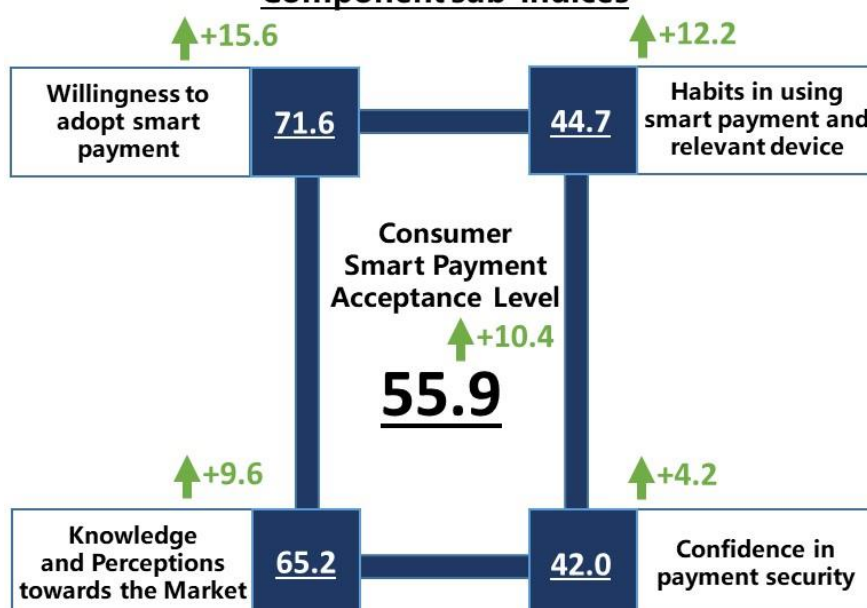


By age group, consumers aged 25 - 34" were still most receptive to the notion of smart payment (63.9). Also a significant improvement was noted among the "50-64" age group, which rose 14.2 to 46.4.

| Component sub-indices | 15-24 | 25-34 | 35-49 | 50-64 | ALL | 18H1 | Change |
|---|---|---|---|---|---|---|---|
| Willingness to adopt smart payment | 76.0 | 77.7 | 74.5 | 63.2 | 71.6 | 56.0 | +15.6 |
| Habits in using smart payment and relevant device | 45.0 | 57.7 | 48.4 | 33.0 | 44.7 | 32.5 | +12.2 |
| Knowledge and perceptions towards the smart payment market | 73.9 | 73.3 | 68.5 | 53.6 | 65.2 | 55.6 | +9.6 |
| Confidence in payment security | 49.2 | 46.9 | 42.3 | 35.9 | 42.0 | 37.8 | +4.2 |
| **Consumer Smart Payment Acceptance Level (2018H2)** | **61.0** | **63.9** | **58.4** | **46.4** | 55.9 | +10.4 |
| **2018H1** | **52.2** | **57.1** | **48.0** | **32.2** | **45.5** | | |
| **Change** | **+8.8** | **+6.8** | **+10.4** | **+14.2** | **+10.4** | | |

**All**: All age group

## Consumer Smart Payment Acceptance Level
## Age Group



| Age Group | Acceptance Level | Change |
|---|---|---|
| All Age Group | 55.9 | +10.4 |
| Aged "15-24" | 61.0 | +8.8 |
| Aged "25-34" | 63.9 | +6.8 |
| Aged "35-49" | 58.4 | +10.4 |
| Aged "50-64" | 46.4 | +14.2 |

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# 4.  Other Findings

This chapter presents the survey findings and data analysis for the study and is divided into four sub-sections as follows:

4.1.  Current Adoption Status on Smart Payment in Hong Kong

4.2.  Reasons to Adopt Smart Payment

4.3.  Barriers to Adopt Smart Payment

4.4.  Special Topic – E-Payment for Transport and Outbound Travel

## 4.1   Current Adoption Status on Smart Payment in Hong Kong

4.1.1.   Retailers

At similar level as the first survey, around 95% of the surveyed retailers provide non-cash payment channels, with credit card (86%) still being the most popular channel, followed by mobile payment (60%), up 17% from the initial survey.
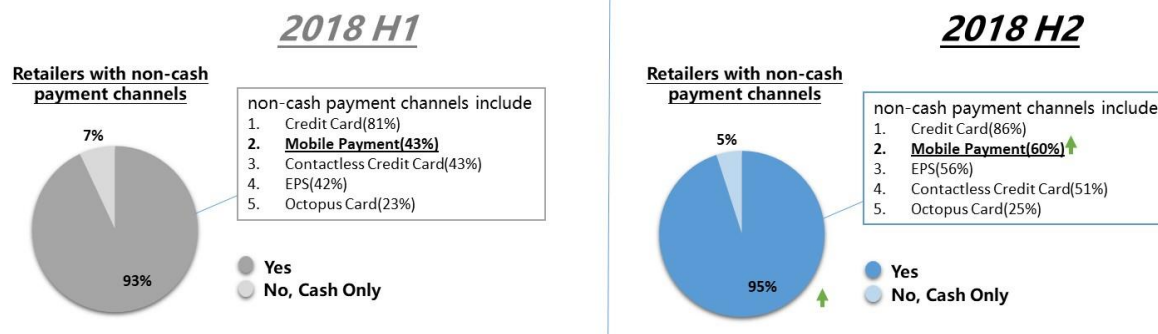


In terms of business nature, "Medicines and cosmetic" (96%) and "Supermarket/Convenient Store/Department Store" (69%) had the highest adoption rate of mobile payment channel, while "Consumer durable goods" (44%) and "Other consumer goods" (41%) were the lowest.

4.1.2.   Consumers

About half (48%) of the surveyed consumers had mobile payment experience, compared to less than 30% in the first survey. In term of age group, the adoption rate increased across-the-board, with the highest among the "24-34" age group (68%), and the lowest among the "50-64" age group (29%).
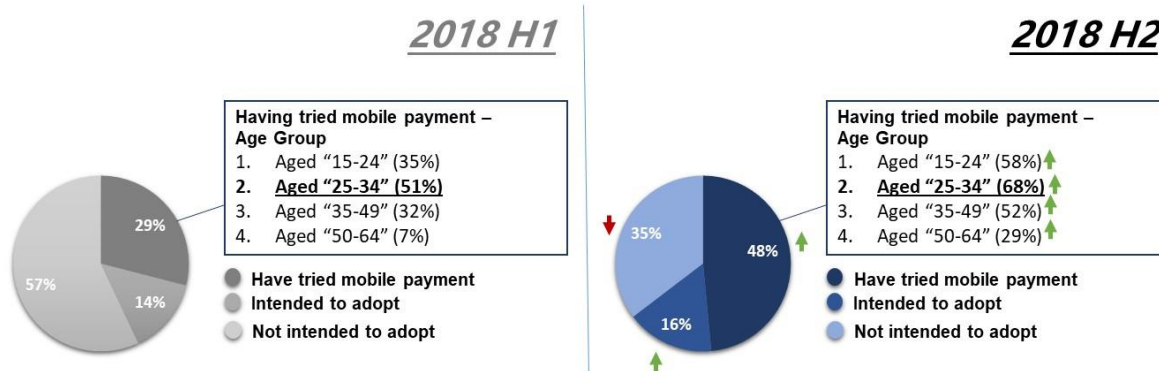


## 4.2   Reasons for Adopting Smart Payment

4.2.1.   Retailers

For those retailers providing mobile payment channel, the top three reasons for its adoption, namely "Satisfy customers' needs" (91%), "Speed up the cashier process" (54%) and "Facilitate financial management " (41%), were the same as the first survey; while the "Special Offer Provided by Mobile Payment Service Provider" (14%) listed at last.

## Major reasons of providing mobile payment channel



| | 2018H1 | 2018H2 |
|---|---|---|
| Satisfy customers' needs | 91% | 91% |
| Speed up the cashier process | 58% | 54% |
| Facilitate financial management | 47% | 41% |
| Attract tourist to patronize | 35% | 39% |
| Laying a foundation for future digital transformation | 17% | 23% |
| Peer competitors have started to provide | 27% | 19% |
| Special offer provided by mobile payment service provider | 6% | 14% |
| Others | 5% | 6% |
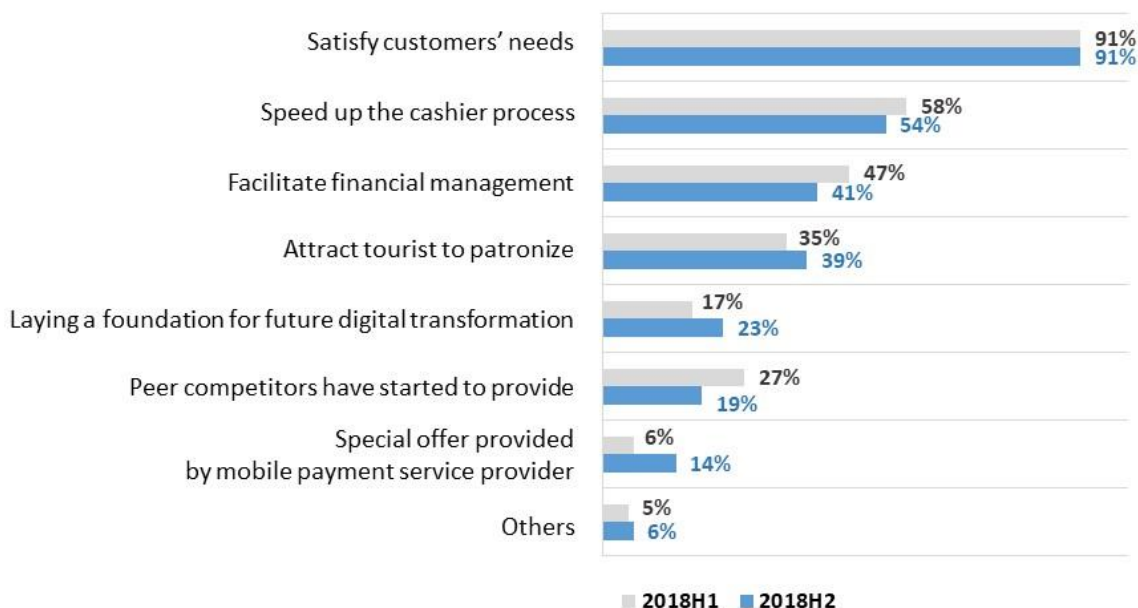
### 4.2.2. Consumers

For the consumers, their main reasons for adopting mobile payment were "Without the hassle of carrying coins" (62%), followed by "Quick transaction" (58%) and "Convenient for peer-to-peer money transfer" (56%).

## Main reasons of adopting mobile payment



| | 2018H1 | 2018H2 |
|---|---|---|
| Without the hassle of carrying coins | 50% | 62% |
| Quick transaction | 55% | 58% |
| Convenient for peer-to-peer money transfer | 53% | 56% |
| Recommended by friends | 26% | 33% |
| Enjoy the Discount | 34% | 31% |
| Follow the technological trend | 28% | 28% |
| Only mobile phone is needed | 35% | 21% |
| Attracted by related advisements and promotion | 10% | 8% |
| M-commerce | 8% | 1% |
| Others | 1% | 1% |
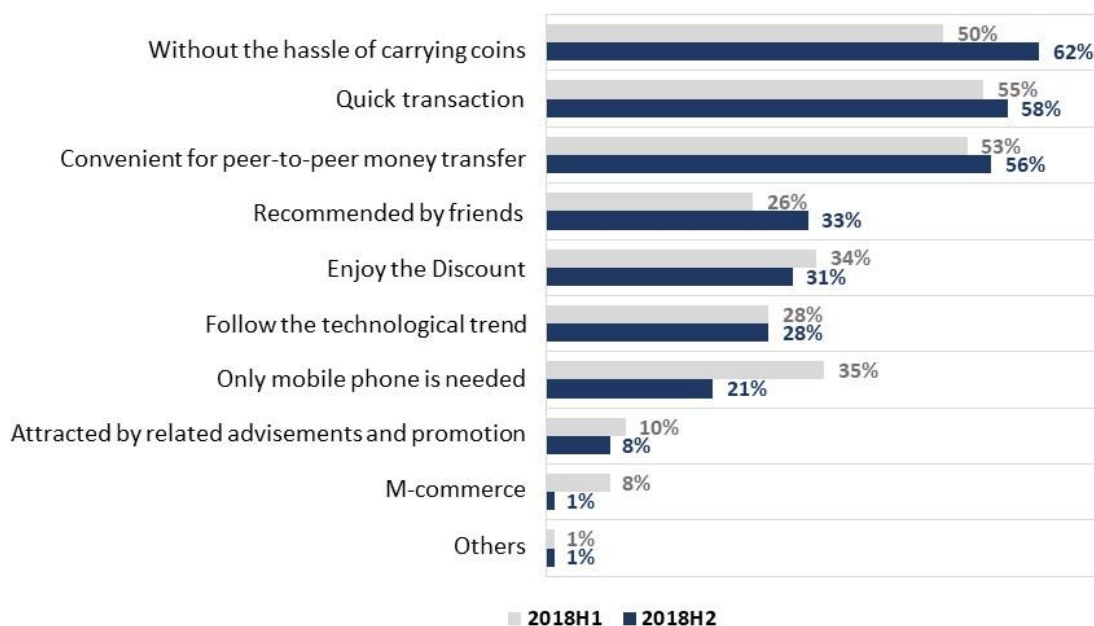
## 4.3    Barriers to Adopting Smart Payment

### 4.3.1.   Retailers

For those retailers not providing mobile payment at the time of the survey, "Estimated low demand from customers" (56%), "Concerns on cybersecurity" (34%) and "High transaction fee" (32%) remained the top three barriers to its adoption. However, concerns about "High capital investment" had fallen from 28% to 18% over the past six months.

**Main reasons of not providing mobile payment channel**

| Reason | 2018H1 | 2018H2 |
|---|---|---|
| Estimated low demand from customers | 61% | 56% |
| Concerns on cybersecurity | 33% | 34% |
| High transaction fee | 33% | 32% |
| Lack of relevant knowledge | 23% | 20% |
| Concerns on operation difficulties among staff | 14% | 19% |
| High capital investment | 28% | 18% |
| Discount provided by mobile payment service provider is not attractive | 17% | 16% |
| The transaction period is too long | 9% | 12% |
| Concerns on leak of transaction details to third party | 9% | 12% |

■ 2018H1  ■ 2018H2

### 4.3.2. Consumers

For those respondents not yet tried mobile payment, the reasons for their prevailing reluctance to adopt mobile payment include "Not familiar with the operation" (68%), "Worries of personal data leakage" (55%) and "Satisfaction with current payment methods" (46%). On the other hand, "Application process is too complicated" (23%) and "The number of retailers that accept mobile payment is low" (17%) have become less of their concerns when compared to the first survey.

**For those respondents not yet tried mobile payment – Major Barriers to Adopt**

| | 2018H1 | 2018H2 |
|---|---|---|
| Unfamiliarity with the operation | 68% | 69% |
| Worries of personal data leakage | 55% | 62% |
| Satisfaction with current payment methods | 46% | 53% |
| Concerns on unsecured account | 45% | 48% |
| Application process is too complicated | 36% | 23% |
| The number of retailers that accept mobile payment is low | 32% | 17% |
| Heard or experienced unpleasant experience | 7% | 8% |
| Discount offered is not attractive | 6% | 4% |

■ 2018H1   ■ 2018H2
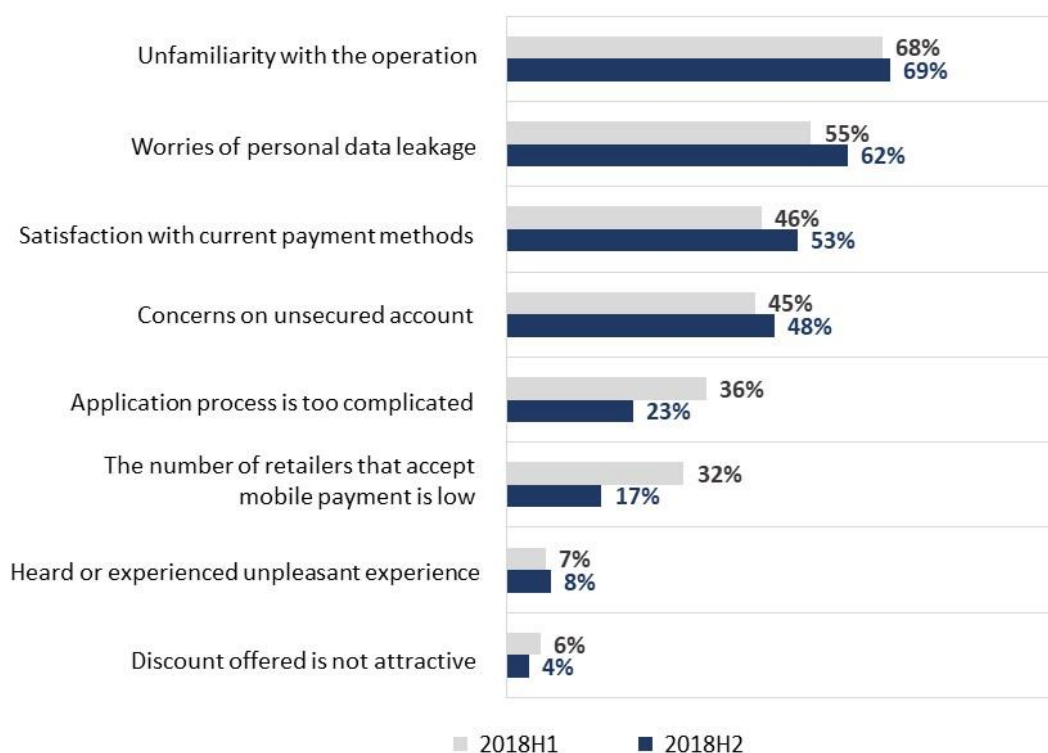
## 4.4   Special Topic – E-Payment for Transport and Outbound Travel

4.4.1.   Retailers

In response to the rapid development of e-payment in transport and outbound travel, around 68% of the surveyed retailers envisage significant increase in the demand for mobile payment.

Also, if they are planning to provide mobile payment channels in their stores, around 54% will place priority to those e-payment channels that can also be used in transport and outside Hong Kong.

The demand in mobile payment is expected to increase significantly, in response to the rapid development of e-payment in outbound travel and transportation
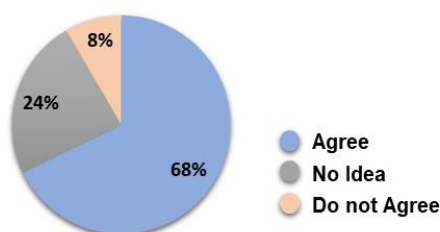


If retailers are planning to provide mobile payment channels in their stores, it is expected that priority will be given to those channels with features of e-payments in outbound travel and transportation
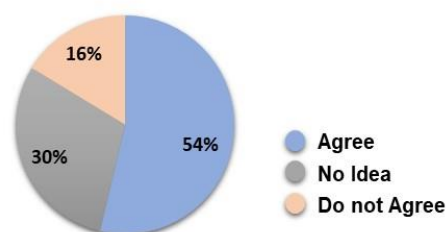


4.4.2.   Consumers

_E-Payment for Transport_

This survey also gauged the views of consumers towards e-payment for transport. It found that 87% of them would like to get rewards for such payment purpose as 47% were willing to try other e-payments methods (such as NFC / QR code) if available. In addition, 46% felt there should be more choices in the transport e-payment market.

As regards consumers' unwillingness to try e-payment for transport, "Unduly long waiting time" (from taking out the mobile to open the apps) (69%), "Get used to physical cards" (55%), and "Unduly long transaction time" (53%) topped their concerns. Also, 45% feared that they might not be able to enjoy government's transport concession with e-payments.

## Users' Views on Transport E-Payment



Wishes on getting rewards for transport payment: 87% / 8% / 5%

Forgetting to bring mobiles is not as easy as that of bringing pre-paid cards: 76% / 12% / 12%

Willing to try other e-payments, e.g. NFC/QR code: 47% / 15% / 38%

Wish that e-payment market for transport can be opened up for more choices: 46% / 20% / 33%

● Agree    ● No Idea    ● Do not Agree

**Main Reasons for Reluctance to Try Out**

1. Unduly long waiting time (69%)
2. Get used to physical cards (55%)
3. Unduly long transaction time (53%)
4. Fears of not being able to enjoy government's transport concession (45%)
5. Fears of restricted uses during offline status (41%)
6. Needs to pay attention to smartphone battery consumption (20%)

### *E-Payment for Outbound Travel*

The survey also studied the stance of consumers about e-payment for outbound travel. The results revealed that 90% of them had travelled outside Hong Kong at least once in 2018, with Mainland China (64%), Japan (32%) and Taiwan (24%) their top three destinations.

## No. of Outbound Travel in 2018



6% / 10% / 11% / 21% / 52%

● Zero    ● Once    ● 2-3 Times
● 4-5 Times    ● More than 5 times
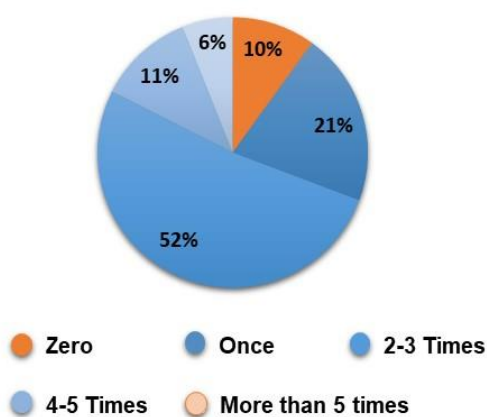
## Outbound Travel Destinations in 2018



Mainland China: 64%
Japan: 32%
Taiwan: 24%
SouthEastern Asia: 23%
Korea: 16%
Europe: 7%
Others: 7%
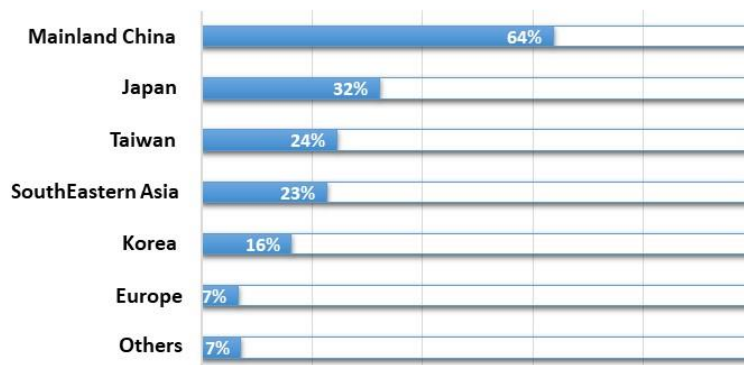
Around 65% said that they often end up with too many high value notes when converting to foreign currencies, and 70% think that it is inconvenient to carry too much foreign cashes when travelling overseas. Also, 60% will try to avoid using credit cards for spending abroad. In addition, nearly half of them are willing to try local e-wallet for overseas payment.

The main reasons for unwilling to try it include "Concern on oversea cyber security" (79%), "Concern on losing phone" (68%) and "Concern on web connection stability" (58%).

### Users' Views on Outbound Travel Payment

| Statement | Agree | No Idea | Do not Agree |
|---|---|---|---|
| Too many high value notes for foreign currency exchange | 65% | 4% | 30% |
| Inconvenience caused by carrying too much foreign cashes when travelling overseas | 59% | 4% | 37% |
| Inconvenience caused by handling small change | 70% | 4% | 27% |
| Avoid using credit cards for spending abroad | 60% | 14% | 26% |
| All time web connection during oversea travelling (eg. Sim card, pocket wifi) | 75% | 8% | 17% |
| Being willing to try local E-wallet for overseas payment | 49% | 10% | 41% |

**Main reasons of not willing to try**
1. Concern on oversea cyber security (79%)
2. Concern on losing phone (68%)
3. Concern on web connection stability (58%)
4. Get used to cash (41%)
5. Concern on high exchange rate (28%)
6. Concern on smartphone battery usage (10%)

● Agree     ● No Idea     ● Do not Agree

# 5. Key Findings & Conclusion

## 5.1 Key Findings

**SPPI 2018H2**

| Component | Weighting | 2018 H2 | 2018 H1 | Change |
|---|---|---|---|---|
| Retailer Smart Payment Readiness Level | 50% | 68.6 | 62.2 | +6.4 |
| Consumer Smart Payment Acceptance Level | 50% | 55.9 | 45.5 | +10.4 |
| **AlipayHK Smart Payment Popularity Index** | | **62.2** | **53.9** | **+8.3** |

**Other Findings**

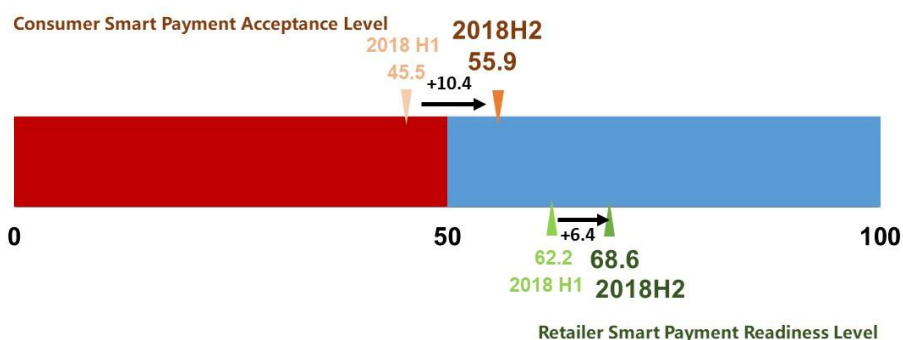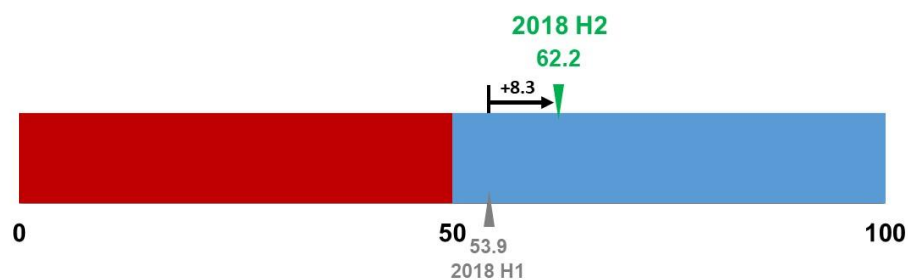| | Retailers | Consumers |
|---|---|---|
| **Current Status of Smart Payment Adoption** | • 95% provide non-cash channel<br>• Within those offering non-cash payment channels, 60% are providing mobile payment<br>  ➢ Medicines and cosmetic: 96%<br>  ➢ Supermarket/Convenient Store/Department Store: 69%<br>  …….<br>  ➢ Consumer durable goods: 44%<br>  ➢ Other consumer goods: 41% | • 48% tried mobile payment<br>  ➢ 15-24: 58%<br>  ➢ 25-34: 68%<br>  ➢ 35-49: 52%<br>  ➢ 50-64: 29%<br>• 16% plan to try mobile payment |
| **Reasons for Smart Payment Adoption** | Top 3:<br>• Satisfy customers' needs (91%)<br>• Speed up the cashier process (54%)<br>• Facilitate financial management (41%) | Top 3:<br>• Convenient for peer-to-peer money transfer (62%)<br>• Quick transaction (58%)<br>• Without the hassle of carrying coins (56%) |
| **Barriers to Smart Payment Adoption** | Top 3:<br>• Estimated low demand from customers (56%)<br>• Concerns on cybersecurity (34%)<br>• High transaction fee (32%) | Top 3:<br>• Unfamiliarity with the operation (69%)<br>• Worries of personal data leakage (62%)<br>• Satisfaction with current payment methods (53%) |

**Smart Payment for Transport and Outbound Travel**

| Retailer | • Expect significant increase in demand for mobile payment in response to rapid development of e-payment in transport and outbound travel (68% agree) <br> • If they plan to provide mobile payment channels in their stores, priority will be given to those offering e-payments in transport and outbound travel (54% agree) |
|---|---|
| Consumer | **E-Payment for Transport** <br> • Wishes on getting rewards for transport payment (87% agree) <br> • Forgetting to bring mobiles is not as easy as that of bringing pre-paid cards (76% agree) <br> • Willing to try other e-payments, e.g. NFC/QR code <br> (47% agree, 38% do not agree) <br>  o <u>Main reasons of not willing to try</u> <br>   ▪ Unduly long waiting time (69%) <br>   ▪ Get used to physical cards (55%) <br>   ▪ Unduly long transaction time (53%) <br> • Wish that e-payment market for transport can be opened up for more choices (46% agree) <br> **E-Payment for Outbound Travel** <br> • 90% had travelled at least once in 2018 <br>  o <u>Top three destinations</u> <br>   ▪ Mainland China (64%) <br>   ▪ Japan (32%) <br>   ▪ Taiwan (24%) <br> • Too many high value notes for foreign currency exchange (65% agree) <br> • Inconvenience caused by carrying too much foreign cashes when travelling overseas (59% agree) <br> • Inconvenience caused by handling small change (70% agree) <br> • Avoid using credit cards for spending abroad (60% agree) <br> • All time web connection during oversea travelliing (eg. Sim card, pocket wifi) (75% agree) <br> • Being willing to try local E-wallet for overseas payment (49% agree, 41% disagree) <br>  o <u>Main reasons for unwilling to try</u> <br>   ▪ Concern on overseas cyber security (79%) <br>   ▪ Concern on losing the phone (68%) <br>   ▪ Concern on web connection stability (58%) |

## 5.2 Conclusion

**1. A steady all-rounded progress of "Smart Payment" development in Hong Kong**

- Overall Index reported at 62.2 (maximum being 100), up 8.3 points from the first survey.
- The popularity level increased in both retailer and consumer perspectives.
- Substantial growth in nearly all retailers in different business nature and all age groups.
- Reflecting Smart payment in Hong Kong is well developing and progressing.

**2018 H2**
**62.2**

+8.3

0     50   53.9     100
**2018 H1**

**Consumer Smart Payment Acceptance Level**
2018 H1   **2018H2**
45.5   **55.9**
+10.4

0     50     100
+6.4
62.2   **68.6**
2018 H1   **2018H2**

**Retailer Smart Payment Readiness Level**

**Retailer Smart Payment Readiness Level**
**Business Nature**

| Business Nature | Value | Change |
|---|---|---|
| All Business Nature | 68.6 | +6.4 |
| Clothing, Footwear and Allied products | 72.2 | +6.1 |
| Consumer durable goods | 63.2 | +4.0 |
| Food, Alcoholic drinks and tobacco | 65.9 | +3.4 |
| Food and Beverage (with catering service) | 65.2 | +8.2 |
| Jewellery, Watches and clocks, and Valuable Gifts | 73.7 | ± 0.0 |
| Medicines and Cosmetics | 74.8 | +8.5 |
| Supermarkets, Convenience store and Department stores | 71.7 | +8.3 |
| Miscellaneous consumer goods | 66.0 | +9.5 |

**Consumer Smart Payment Acceptance Level**
**Age Group**

| Age Group | Value | Change |
|---|---|---|
| All Age Group | 55.9 | +10.4 |
| Aged "15-24" | 61.0 | +8.8 |
| Aged "25-34" | 63.9 | +6.8 |
| Aged "35-49" | 58.4 | +10.4 |
| Aged "50-64" | 46.4 | +14.2 |

2. **Consumers' "Confidence in payment security" and "Habits in using smart payment and relevant device" have significant room for improvement**

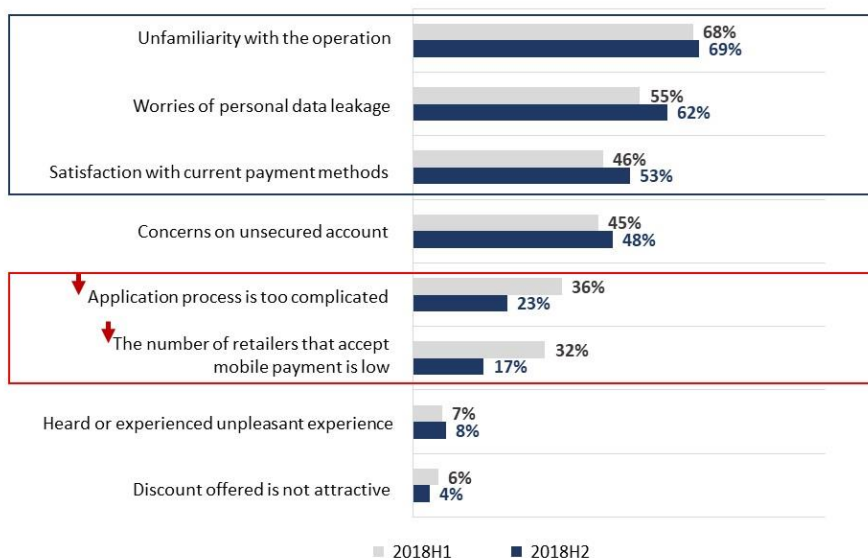   ● Although all four component sub-indices increase, there are a lot of growth potentials in "Confidence in payment security" and "habits in using smart payment and relevant device" of consumers.

**Consumer Smart Payment Acceptance Level**
**Component sub-indices**



| | |
|---|---|
| **+15.6** | **+12.2** |
| Willingness to adopt smart payment — **71.6** | **44.7** — Habits in using smart payment and relevant device |
| Consumer Smart Payment Acceptance Level **+10.4** **55.9** | |
| **+9.6** | **+4.2** |
| Knowledge and Perceptions towards the Market — **65.2** | **42.0** — Confidence in payment security |
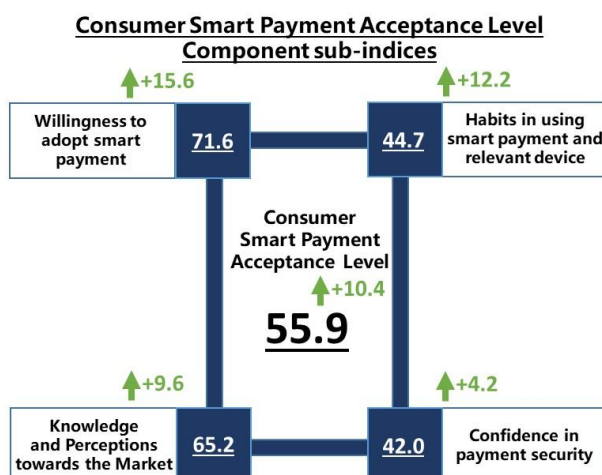
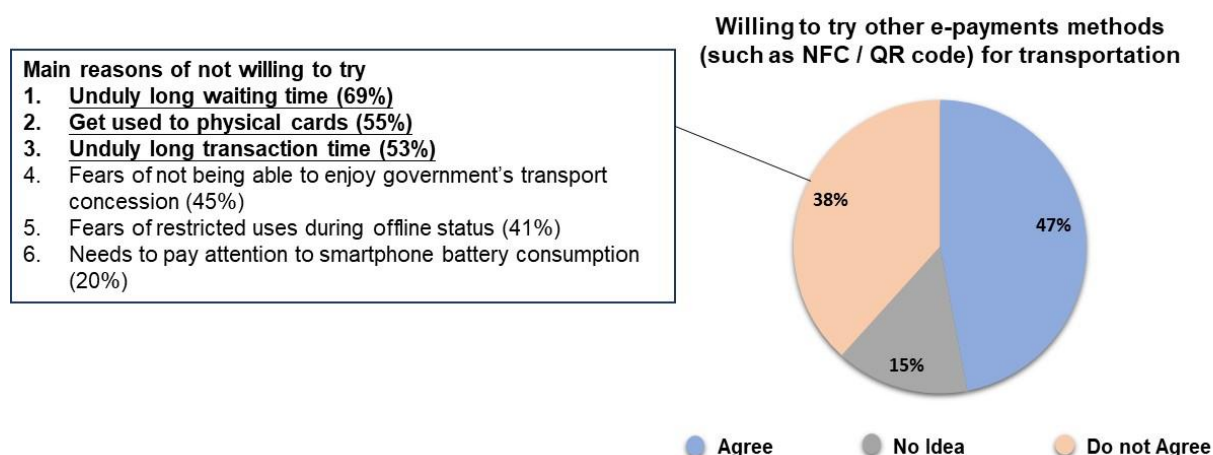3. **Service suppliers and retailers are taking the lead to popularise smart payment**

   ● Fewer people cited "application process is too complicated" and "The number of retailers that accept mobile payment is low" as the main reasons of not yet using mobile payment.

   ● It show that service suppliers and retailers are striving to meet consumer expectations and taking the lead.

   ● Yet, for those respondents not yet tried mobile payment, "Not familiar with the operation" (69%) and "worries of personal data leakage" (62%) continue to be the biggest barriers to mobile payment adoption.

**For those respondents not yet tried mobile payment – Major Barriers to Adopt**



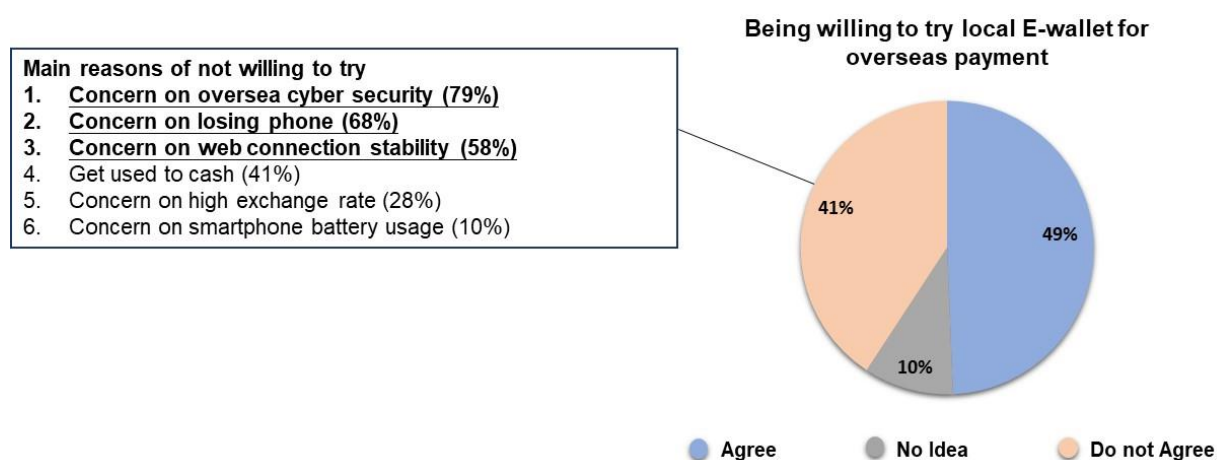| Barrier | 2018H1 | 2018H2 |
|---|---|---|
| Unfamiliarity with the operation | 68% | 69% |
| Worries of personal data leakage | 55% | 62% |
| Satisfaction with current payment methods | 46% | 53% |
| Concerns on unsecured account | 45% | 48% |
| Application process is too complicated | 36% | 23% |
| The number of retailers that accept mobile payment is low | 32% | 17% |
| Heard or experienced unpleasant experience | 7% | 8% |
| Discount offered is not attractive | 6% | 4% |

4.  **E-payment for transport is expected to fuel local demand for mobile payment further**
    - Around 47% of the consumers surveyed is willing to try other types of e-payment, such as NFC / QR code
    - Payment preparation and transaction time are the main barriers to wider trial use.
    - It is believed that more people are willing to try with faster transaction as a result of improved payment system
    - It is easier for the general public to get used to smart payment by using e-payment on transportation due to smaller value transaction

**Main reasons of not willing to try**
1. Unduly long waiting time (69%)
2. Get used to physical cards (55%)
3. Unduly long transaction time (53%)
4. Fears of not being able to enjoy government's transport concession (45%)
5. Fears of restricted uses during offline status (41%)
6. Needs to pay attention to smartphone battery consumption (20%)

**Willing to try other e-payments methods (such as NFC / QR code) for transportation**

38%
47%
15%

Agree   No Idea   Do not Agree

5.  **Outbound e-payment market has growth potential**
    - Outbound travel has become part of our daily life
    - The availability of outbound e-payment could provide relief to the nuisance of handling foreign currencies
    - While the majority of people are willing to try, they should pay attention to the risk of cyber security while travelling abroad

**Main reasons of not willing to try**
1. Concern on oversea cyber security (79%)
2. Concern on losing phone (68%)
3. Concern on web connection stability (58%)
4. Get used to cash (41%)
5. Concern on high exchange rate (28%)
6. Concern on smartphone battery usage (10%)

**Being willing to try local E-wallet for overseas payment**

41%
49%
10%

Agree   No Idea   Do not Agree

- **End of Report -**

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**About AlipayHK**

The electronic wallet is operated by Alipay Financial Services (HK) Limited and supervised by the Hong Kong Monetary Authority.

APSHK is a joint venture established and managed by the CK Hutchison Holdings Limited, a multinational conglomerate spanning over 50 countries and Ant Financial Services Group, a leading global technology and financial services company and parent company of "Alipay". For more information, please visit www.alipay.hk

Currently, over 20,000 local retail outlets have supported electronic wallet for payment, covering large chain stores, convenient stores, drugstores, supermarkets, wet markets, taxies, restaurants and others. Features of electronic wallet include payment on Taobao and TMall, P2P transfer, remittance, electricity payment, telecom payment, entry tickets and F&B vouchers for The Racecourse, purchase of insurance products offered by third party, e-coupons, etc, making Hong Kong residents' lives more convenient by integrating mobile payment into daily lives.

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