

PERSPECTIVES FROM MERCHANTS AND CONSUMERS:

2018 TRENDS FOR MOBILE PAYMENT IN CHINESE OUTBOUND TOURISM



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PREFACE

Traveling abroad is no longer a luxury for many Chinese citizens as they are now enjoying rising incomes and better living standards. According to the latest statistics from the China Tourism Academy, Chinese tourists made 140 million outbound trips in 2018, up 13.5 percentage points year-on-year. This robust growth gave rise to a new barometer with which to gauge China's economy and its ever-changing consumer market, especially in regard to heated discussions on whether Chinese consumption is upgrading or downgrading, a topic that have made headlines across China in 2018.

Based on a survey of 2,800-plus outbound Chinese tourists^[1], this whitepaper represents the latest trends and consumption habits of these travelers in overseas markets. It covers a variety of perspectives including the number of foreign countries visited, tourists' consumption amounts and habits in overseas destinations, and their evolving demands. This survey also provides an alternative lens for observing China's consumer and tourism market.

It goes without saying that Chinese tourists' consumption and spending habits overseas are evolving and upscaling. This is reflected in their changing preferences towards increasingly diverse and exotic destinations, as well as their focus on high-quality products and experiences. This has driven Chinese mobile payment sector to go global. In response to customer demand, Chinese mobile payment brands, represented by Alipay, have moved beyond the initial hurdles and are now experiencing vigorous growth. On the one hand, Chinese mobile payment providers are extending their service offerings for Chinese consumers; on the other hand, they are developing their businesses into overseas markets, where merchants, big or small, can benefit from adopting their services.

The release of the *2017 Outbound Chinese Tourism and Consumption Trends* whitepaper marked the start of a comprehensive study, from a consumer perspective, of Chinese mobile payment systems in international destinations frequented by Chinese tourists. This has generated ongoing interest, research and insight among industry stakeholders, observers and others. Drawing on this research, Nielsen and Alipay have jointly issued a report titled *2018 Trends for Mobile Payment in Chinese Outbound Tourism*. The whitepaper provides a perspective on mobile payment use cases and the developments in outbound tourism consumption by Chinese tourists. It also examines local merchants' attitudes to and outlook on Chinese mobile payment services. The paper also offers a rare window into understanding the impact that Chinese mobile payment solution has on local businesses, capturing the benefits that local businesses experience after connecting to Chinese mobile payment, as well as their outlook on future developments and challenges.

The participants in this survey are categorized into two groups. The first group comprises Chinese tourists who traveled overseas in 2018 and plan to travel abroad again in the coming year. This group includes 2,806 residents between the ages of 20 and 50 years who live in China's first, second and third tier cities. The other group consists of 1,244 merchants at popular attractions frequented by Chinese tourists in Singapore, Malaysia and Thailand. The survey also involved face-to-face interviews and in-depth conversations with nine merchants in these three countries.

Note 1: Outbound Chinese tourists in this report refers to Chinese mainland residents travel to other countries and regions for private or business purposes.

KEY FINDINGS

1

EVOLVING DEMAND: CHINESE TOURISTS ARE BECOMING MORE FREQUENT AND DIVERSE TRAVELERS, AS WELL AS MORE EXPERIENCE-AND-QUALITY-ORIENTED SHOPPERS.

Outbound travel has become more prevalent and diverse for Chinese tourists. Short-haul visits to China Hong Kong SAR^[1], China Macao SAR^[2], Japan, and South Korea have become the norm for first-tier city dwellers; second-tier city residents are driving the growth in outbound tourism; while Chinese tourists born between 1990 and 1999 tend to be more intrepid travelers, often exploring more exotic destinations such as Central Asia and the Nordic countries. Consumption patterns remain largely unchanged from the previous year, with the top three expenditure categories remaining as shopping (25%), accommodation (18%) and dining (16%). Having said that, Chinese shoppers are becoming noticeably more quality-oriented, often basing their buying decisions on the quality of the product. They are also moving more towards boutique shops to find products they normally wouldn't find at home and to take part in local shopping experiences.

2

FROM MILLENNIALS TO OLDER GENERATIONS, CHINESE TOURISTS EMBRACE MOBILE PAYMENT TO MAKE PURCHASES WHEN THEY ARE TRAVELING OVERSEAS.

In 2018, mobile payment in the Chinese outbound tourism market saw an increase in both the rate of use and the proportion of transactions. More than two-thirds (69%) of Chinese tourists paid with their mobile phones while abroad, up 4 percentage points from the previous year. On their most recent trips overseas, Chinese tourists surveyed paid for 32% of transactions using mobile payment, overtaking cash for the first time.

Although Chinese millennials are undoubtedly spearheading the uptake of mobile payment, they can no longer claim to be the dominant user group. Mobile payment has been widely adopted by Chinese tourists of various ages. For instance, 68% of Chinese tourists who were born between 1960 and 1979 used mobile payment while traveling abroad.

3

MOBILE PAYMENT BOOSTS CHINESE TOURISTS' SPENDING AND VITALIZES LOCAL BUSINESSES.

According to the survey, 94% of Chinese tourists would be more willing to pay with their mobile phones if this payment method becomes more widely adopted by local merchants in overseas markets. At the same time, 93% of them would likely increase their spending if mobile payment were more widely accepted—a higher figure than that in 2017's survey. Not only does mobile payment provide a convenient option for Chinese customers, but it also helps boost sales for local merchants. For example, nearly 60% of surveyed merchants that adopted Alipay experienced growth in both foot traffic and revenue after their mobile payment systems were implemented.

4

AS MOBILE PAYMENT BECOMES A ROUTINE WAY FOR CHINESE TOURISTS TO MAKE PURCHASES, ADOPTION BY OVERSEAS MERCHANTS ACCELERATES.

Currently, 58% of merchants located in areas frequented by Chinese tourists in Singapore, Malaysia and Thailand accept mobile payment, with 70% of them accepting Chinese mobile payment. By comparison, only 12% of them accepted Chinese mobile payment in 2016, underscoring the exponential growth of Chinese mobile payment platforms in overseas markets over the past two years.

The merchants said they installed the Chinese mobile payment solution because they understood how routine it was for Chinese tourists to pay for purchases with their mobile phones. 90% of surveyed merchants in Singapore, Malaysia and Thailand encountered Chinese customers that asked if mobile payment was accepted in their stores.

5

LOOKING FORWARD, MORE OVERSEAS MERCHANTS WOULD LEVERAGE THE POPULARITY OF CHINESE MOBILE PAYMENT PLATFORMS TO INCREASE SALES.

Chinese travelers are now using mobile payment all over the world. In 2018, over 60% of Chinese tourists made payments with their mobiles in locations ranging from Singapore, Malaysia and Thailand to Europe, the United States, and Australia. With the increased usage of mobile payment overseas by Chinese tourists and a deeper understanding of Chinese mobile payment brands by existing merchants, more merchants are willing to adopt Chinese mobile payment solution.

According to the merchants surveyed in Singapore, Malaysia and Thailand, 60% of those who have already adopted the Chinese mobile payment solution is likely to recommend them to their vendor peers. Of those yet to accept mobile payment, 55% are very likely to accept Chinese mobile payment solution in the future.

Note 1: Hereinafter referred to as China Hong Kong

Note 2: Hereinafter referred to as China Macao



CHAPTER I

TRAVEL AND SPENDING TRENDS OF OUTBOUND CHINESE TOURISTS

I. OUTBOUND TRAVEL BY CHINESE TOURISTS GAINS STRONGER MOMENTUM IN 2018.

CHINESE TOURISTS VISITED ON AVERAGE 2.8 COUNTRIES/REGIONS PER PERSON IN 2018 AND CONSUMER SPENDING IS GROWING.

The Chinese outbound tourism market continued to grow steadily in 2018. Chinese tourists visited an average of 2.8 countries or regions per person this year, an increase compared to 2.1 in 2017.

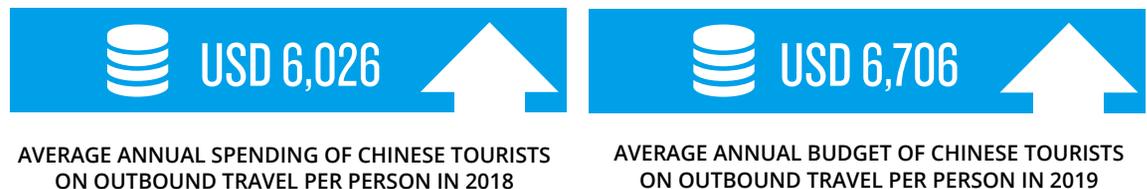
THE AVERAGE NUMBER OF COUNTRIES (OR REGIONS) TRAVELED EACH YEAR PER CHINESE RESPONDENT



Source: Nielsen

In addition to the growing size of the market, expenditure from this market also warrants attention. In 2018, Chinese tourists spent on average USD^[1] 6,026 per person on outbound tourism-related expenses, exceeding their 2018 outbound travel budget made in 2017. In 2018, Chinese tourists also spent on average USD 3,409 per person, excluding tour fees and large transportation costs such as flights, on their most recent overseas trips. These figures represent year-on-year increases^[2] of 6% and 9%, respectively.

Additionally, the average outbound tourism budget of a Chinese tourist in 2019 is expected to reach USD 6,706 per person, up 15% compared with that of last year. There is still a lot of growth to be seen.



Source: Nielsen

Note 1: The exchange rate of RMB against USD using in this survey report is the average exchange rate in 2018, i.e., USD1=RMB6.6174.

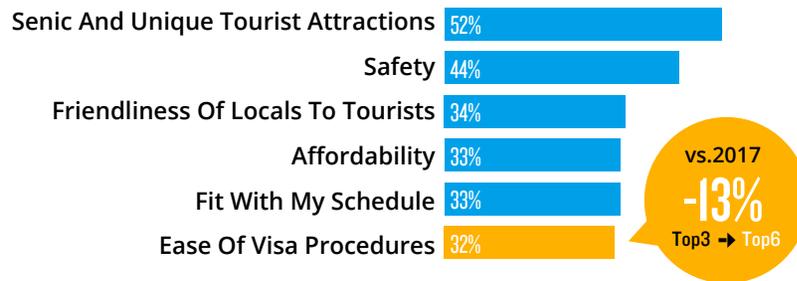
Note 2: The growth rate of consumption is calculated based on the consumption of Chinese tourists in RMB units.

SCENIC AND UNIQUE ATTRACTIONS REMAIN THE TOP PRIORITY FOR CHINESE TOURISTS TO OVERSEAS DESTINATIONS.

When asked about the factors affecting their choices of destination, Chinese tourists picked scenic and unique tourist attractions (52%) as the main criteria for selecting their travel destination, followed by safety (44%).

Meanwhile, the increased convenience in obtaining passports and visas has boosted outbound travel. As of October 2018, 73 countries had eased entry requirements for Chinese passport holders, including mutual visa exemptions and on-arrival visa access for Chinese citizens. The relaxed restrictions have made it much easier for Chinese tourists to travel overseas. Compared to 2017, the ease of visa procedures as an important factor declined by 13 percentage points, falling out of the top three factors that Chinese tourists consider when choosing a travel destination, compared to the previous year.

FACTORS CHINESE TOURISTS CONSIDER WHEN CHOOSING AN OUTBOUND TRAVEL DESTINATION (TOP6)



Source: Nielsen



2. CHINESE TOURISTS IN THEIR 20S ARE LEADING THE TREND FOR MORE EXOTIC DESTINATIONS.

OVERSEAS TRAVEL DESTINATIONS BY CHINESE TOURISTS

2018 saw an increase in Chinese tourists traveling to destinations further away from China. China Hong Kong, China Macao, China Taiwan, and Southeast Asia are still popular, but now to a lesser extent. In 2018, the proportion of Chinese tourists to China Hong Kong, China Macao and China Taiwan dropped by 8 percentage points.

Chinese tourists have also become more adventurous in their choice of travel destination, looking to experience the unique cultures and cuisines of destinations further away from home, such as Central Asia, Western Asia and Africa. In 2018, 10% of outbound Chinese tourists traveled to Central and Western Asia and Africa, a noticeable increase from the previous year.

DESTINATIONS VISITED BY OUTBOUND CHINESE TOURISTS IN 2018



Compared with 2017, showing an increase in 2018 █
 Compared with 2017, showing a decrease in 2018 █

Source: Nielsen

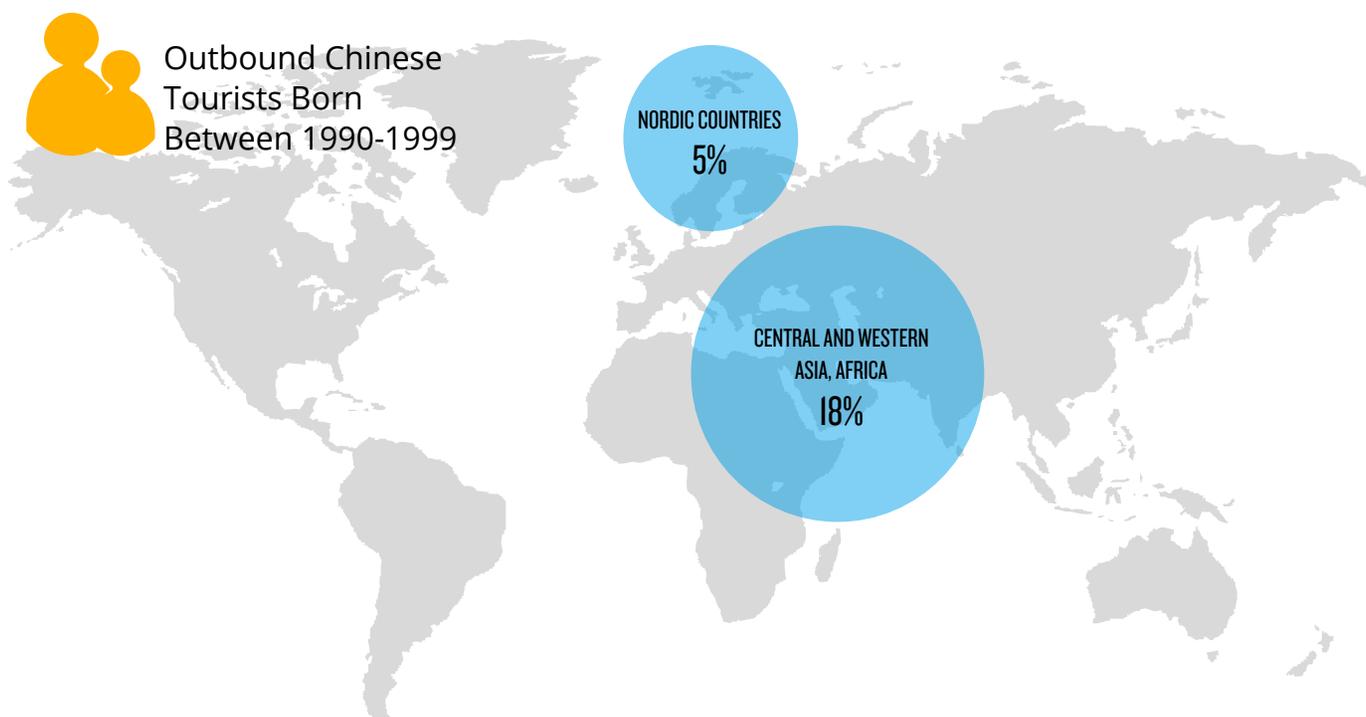
CHINESE TOURISTS IN THEIR 20S ARE ATTRACTED TO MORE EXOTIC LOCATIONS FOR UNIQUE EXPERIENCES.

In 2018, the proportion of Chinese mainland tourists who visited China Hong Kong, China Macao and China Taiwan fell sharply from the previous year, mainly driven by a decline in younger visitors. Among the respondents who have been to the three destinations in 2018, the proportion of visitors born between 1990-1999 declined 18 percentage points, while those born between 1970-1979 and 1980-1989 dropped by 2 and 3 percentage points, respectively.

Chinese tourists in their 20s, or those born between 1990-1999, were more enthusiastic about traveling to further and more exotic destinations. In 2018, 18% of surveyed Chinese tourists born between 1990-1999 traveled to Central and Western Asia or Africa, while 5% traveled to Nordic countries. These destinations include Turkey, Saudi Arabia, Morocco, Finland, Iceland, Denmark, Norway, and Sweden.

In terms of outbound tourism consumption, although Chinese tourists born between 1990-1999 had less total spending than that of the other age groups, their on-location spending was close to Chinese tourists born between 1970-1989. This indicates that Chinese tourists born between 1990-1999 are likely to spend more on experiencing the local culture and less on airline tickets and tour groups. Since they place greater value on the travel experience, they are also inclined to spend more on recreational activities.

EXOTIC TRAVEL DESTINATIONS OUTSIDE CHINESE MAINLAND FOR CHINESE TOURISTS BORN BETWEEN 1990-1999



Source: Nielsen

3. SECOND-TIER CITY RESIDENTS ARE DRIVING THE GROWTH IN CHINESE OUTBOUND TOURISM.

As urban life in China gets more diverse and colorful, traveling to China Hong Kong, China Macao, China Taiwan, Japan, and South Korea has become the norm for first-tier city dwellers. In 2018, nearly half of the residents surveyed from first-tier cities had visited China Hong Kong, China Macao, and China Taiwan for leisure, with 34% and 22% having traveled to Japan and South Korea, respectively. Some respondents said they spent all of their vacations days on short trips to neighboring countries or regions.

POPULAR DESTINATIONS OUTSIDE CHINESE MAINLAND FOR CHINESE TOURISTS IN 2018



Source: Nielsen

Second-tier cities also saw robust outbound tourism activities in 2018, in terms of total annual spending and the number of destinations visited. Furthermore, second-tier city travelers almost reached the same level as their first-tier peers in terms of the number of long-haul travel destinations visited. According to the survey, 38% of respondents in tier 2 cities traveled to Europe, higher than the proportion in tier 1 cities, and 22% of them traveled to North America, almost on par with the number of Chinese tourists from first-tier cities.

THE AVERAGE ANNUAL SPENDING OF CHINESE TOURISTS FROM SECOND-TIER CITIES ON OUTBOUND TRAVEL



THE AVERAGE NUMBER OF COUNTRIES (OR REGIONS) TRAVELED BY CHINESE TOURISTS FROM SECOND-TIER CITIES



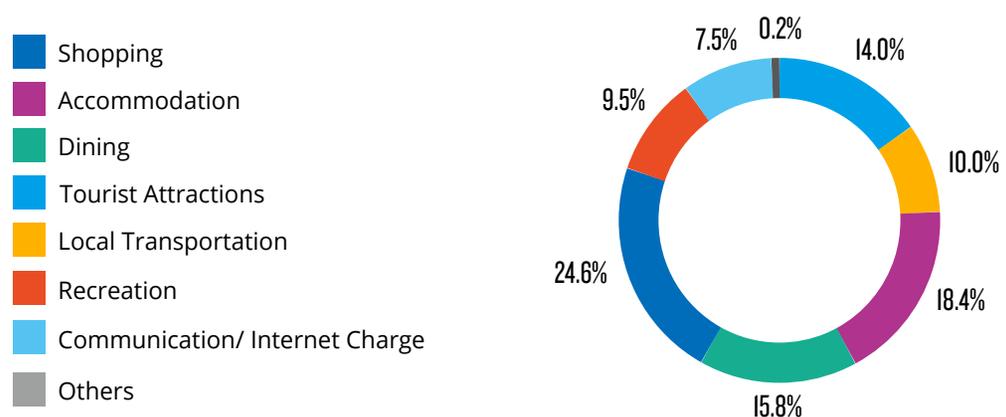
Source: Nielsen

4. EXPERIENCE-ORIENTED TRAVEL TAKES A BIGGER SHARE OF CHINESE TOURISTS' EXPENDITURE

THE ON-LOCATION CONSUMPTION PATTERNS OF OUTBOUND CHINESE TOURISTS REMAIN UNCHANGED.

The on-location consumption patterns of outbound Chinese tourists remain largely unchanged from the previous year. The top three categories for consumption are shopping (25%), accommodation (18%) and dining (16%).

BREAKDOWN OF ON-LOCATION SPENDING BY OUTBOUND CHINESE TOURISTS



Source: Nielsen



QUALITY SHOPPING MATTERS: EXPERIENCE-ORIENTED SHOPPING TAKES PRECEDENCE.

Discounts, quality, and price are the three key factors weighing on Chinese tourists' shopping decisions. Compared with the previous year, product quality has become much more important this year. This means the demand for high-quality products is growing for Chinese tourists when they travel overseas. In addition, the importance of accepted payment methods decreased slightly, an indication of how merchants in overseas countries have improved the availability of payment solution familiar to Chinese travelers.

FACTORS AFFECTING CHINESE TOURISTS' OVERSEAS SHOPPING DECISIONS (TOP 5)

RANKING BY IMPORTANCE (2018)



RANKING BY IMPORTANCE (2017)



Source: Nielsen

Duty-free shops, large supermarkets, and department stores are still the three most popular shopping locations for Chinese tourists. In addition, they tend to explore more diverse shopping outlets than they did the year before, such as small and medium-sized supermarkets, convenience stores and cosmeceutical shops.

POPULAR SHOPPING LOCATIONS WITH OUTBOUND CHINESE TOURISTS - TOTAL



Source: Nielsen



CHAPTER 2

TRENDS IN THE USE OF MOBILE PAYMENT BY OUTBOUND CHINESE TOURISTS

I. USE OF MOBILE PAYMENT BY OUTBOUND CHINESE TOURISTS IS GROWING RAPIDLY.

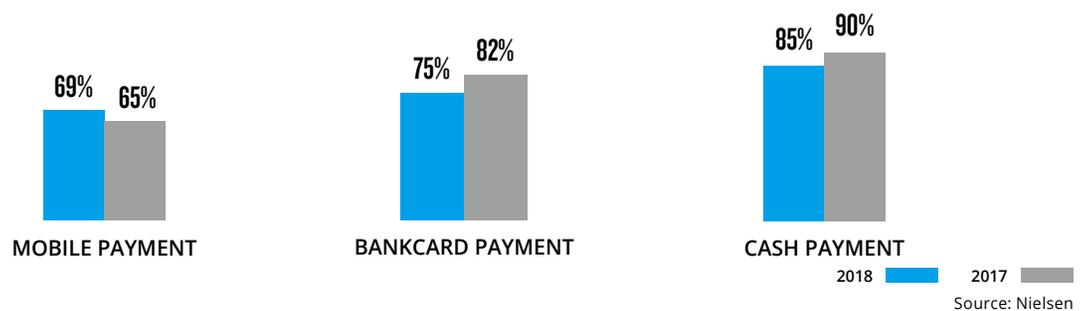
THE PROPORTION OF OUTBOUND CHINESE TOURISTS USING MOBILE PAYMENT ROSE TO 69%.

In 2018, 69% of outbound Chinese tourists used mobile payment while abroad, up by 4 percentage points from the previous year.

This year saw considerable changes in Chinese tourists' payment methods while abroad. In 2017, 65% of Chinese tourists used mobile payment, a figure that was 25 and 17 percentage points lower, respectively, than the traditional payment options of cash (90%) and bank card (82%).

In 2018, the usage rate of mobile payment rose to 69%, while the two traditional payment methods registered lower use rate. As a result, mobile payment greatly narrowed the gap with cash and bank card payments.

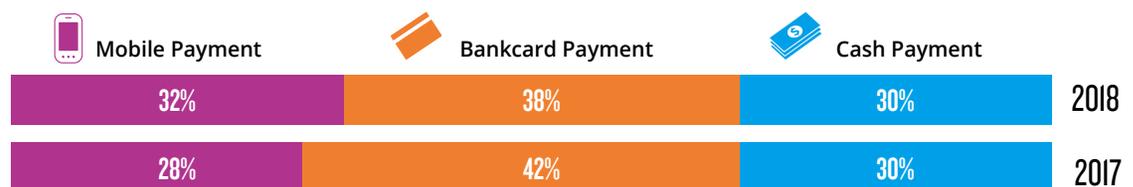
THE USAGE RATE OF MOBILE PAYMENT DURING OVERSEAS TRAVEL BY CHINESE TOURISTS



MOBILE PAYMENT TRANSACTIONS ACCOUNT FOR 32% OF ALL TRANSACTIONS, OVERTAKING CASH FOR THE FIRST TIME.

The proliferation of smartphones has driven the utilization of mobile payment. Although the bank card is still the most popular payment method among Chinese tourists, this year saw an increase in the share of mobile payment transactions. On their most recent travels overseas, Chinese tourists surveyed paid for 32% of transactions with mobile phones, overtaking cash for the first time, which was used only 30% of transactions.

THE PROPORTION OF PAYMENT TRANSACTIONS BY CHINESE TOURISTS TRAVELING OVERSEAS



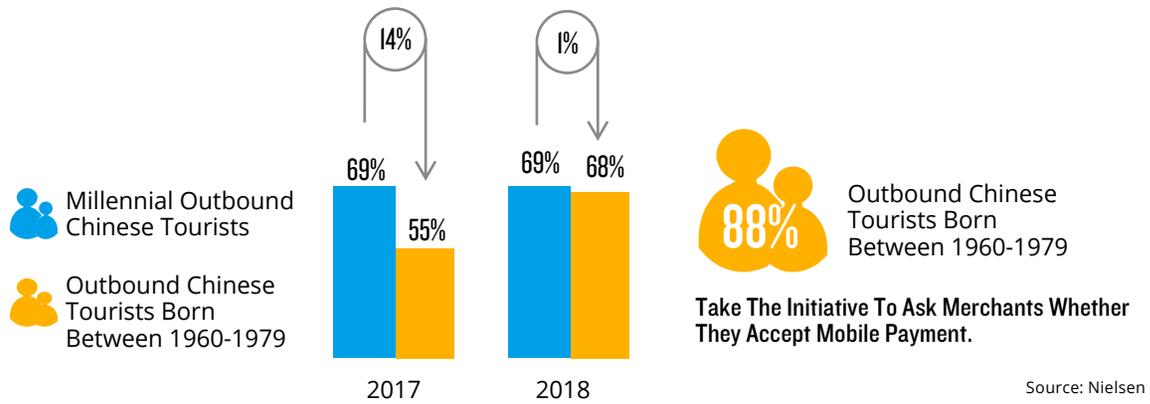
Source: Nielsen

2. USING MOBILE PAYMENT ABROAD IS NOT EXCLUSIVE TO THE MILLENNIAL GENERATION.

In 2017, 55% of Chinese tourists born between 1960-1979 used mobile payment while traveling overseas—significantly lower than the proportion of millennial tourists, or those born between 1980-1999. In 2018, the usage rate rose to 68%, almost equaling their younger peers.

In fact, tourists born between 1960-1979 have become more willing to use mobile payment when making purchases overseas. The survey shows that 88% of older Chinese tourists will ask merchants whether they accept mobile payment, an increase of 14 percentage points from the previous year.

THE USAGE RATE OF MOBILE PAYMENT DURING OVERSEAS TRAVEL BY DIFFERENT CHINESE TOURIST GROUPS

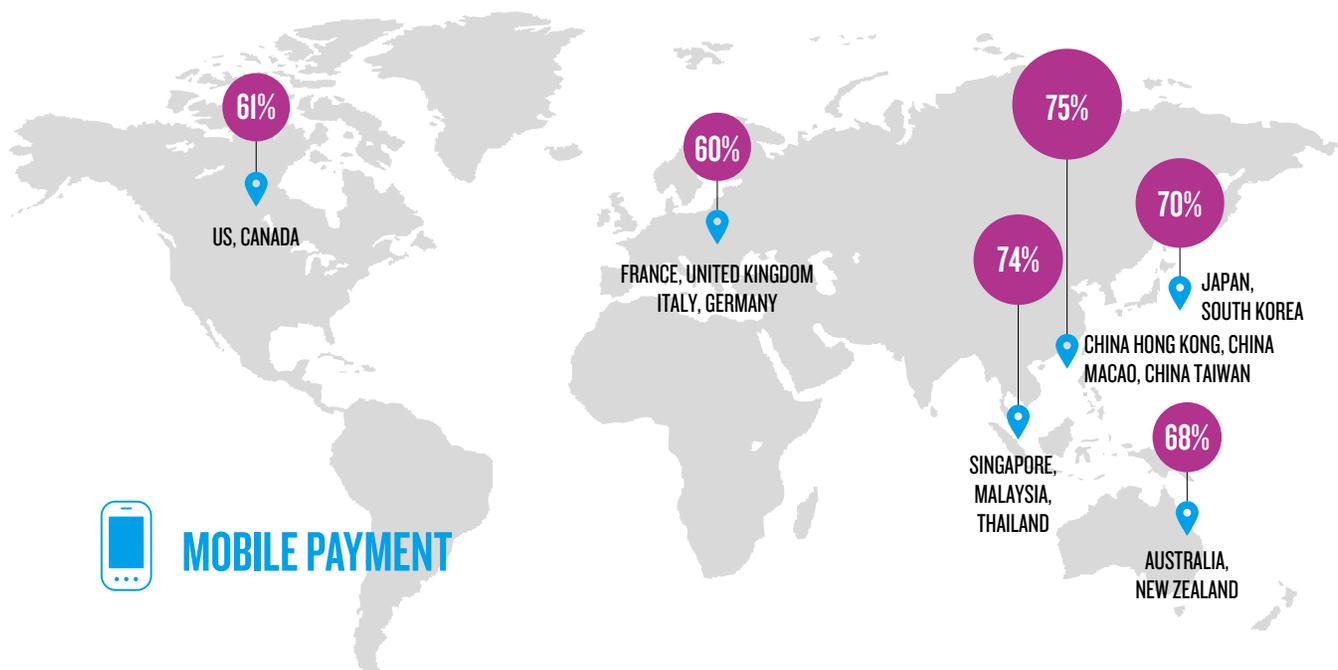


3. CHINESE TOURISTS ARE USING MOBILE PAYMENT ALL OVER THE WORLD.

SPREADING THEIR PAYMENT HABITS FROM HOME TO ABROAD, CHINESE TOURISTS ARE USING MOBILE PAYMENT ALL OVER THE WORLD.

The application of Chinese mobile payment has followed in the footsteps of Chinese tourists, expanding to both short-haul destinations such as Japan, South Korea and Southeast Asia and to attractions further afield in Australia, New Zealand, Europe and North America. In 2018, about three-quarters of respondents used mobile payment on their most recent trips to Singapore, Thailand or Malaysia; 61% to the United States or Canada; 60% to the United Kingdom, France, Italy or Germany; 75% to China Hong Kong, China Macao, China Taiwan; 70% to Japan, South Korea; and 68% to Australia, New Zealand.

THE USAGE RATE OF MOBILE PAYMENT BY CHINESE TOURISTS ALL OVER THE WORLD



Source: Nielsen

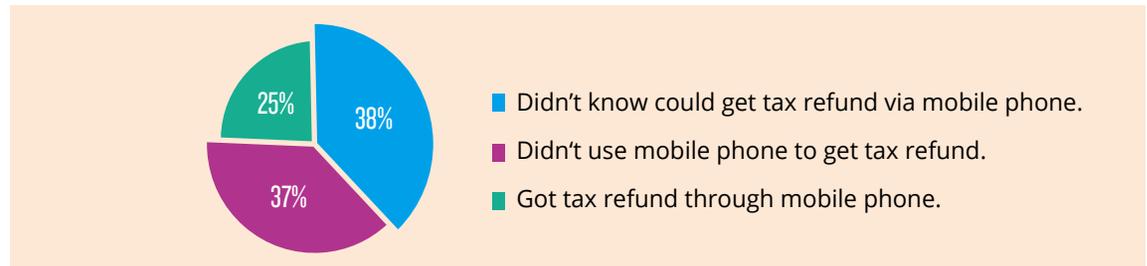
MOBILE PAYMENT IS ACCEPTED ON MORE OCCASIONS INTERNATIONALLY, FROM DINING, SHOPPING AND TRANSPORTATION, TO TAX REFUNDS, AND FROM LARGE STORES TO SMALL MERCHANTS.

For outbound Chinese tourists, the application of mobile payment has become increasingly diverse, from shopping and dining to spending at tourist attractions, as well as paying for accommodation, transportation, and recreational activities. Of all the shopping use cases, department stores, large supermarkets and duty-free shops are locations where mobile payment is most frequently used by Chinese tourists.

In addition to on-location spending, mobile payment has also been used in tax refunds, providing more convenient services to Chinese tourists. Nowadays, the need for tax refunds has become popular for an increasing number of Chinese tourists in 2018. Around 40% of the respondents say they applied for tax refunds during their most recent outbound travels, with 25% of them doing so on their mobile phones.

TAX REFUND BEHAVIOR OF OUTBOUND CHINESE TOURISTS

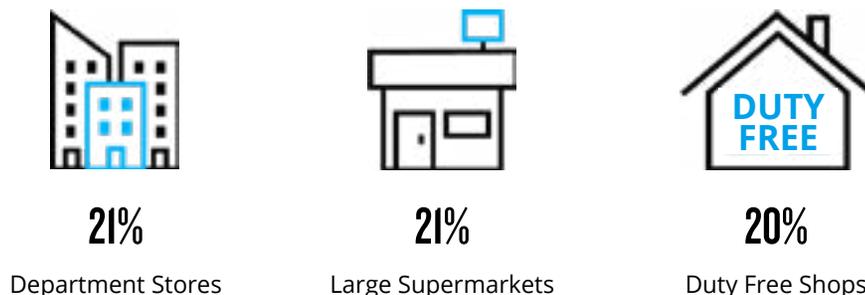
Among 38% of the respondents who have refunded tax



Source: Nielsen

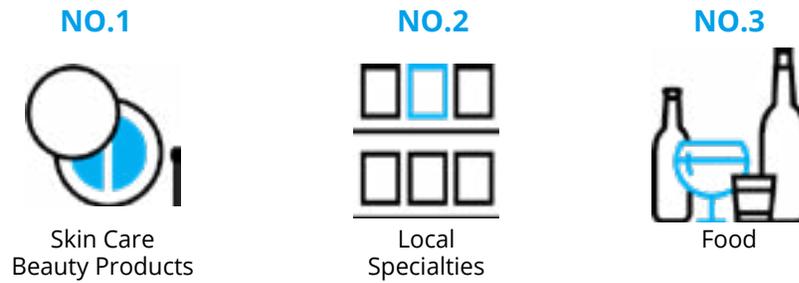
Furthermore, as the network of mobile payment in outbound shopping locations expands, their outreach also deepens. Take shopping—the most frequently used application by Chinese tourists—for example, mobile payment was mainly used in department stores, large supermarkets, and duty-free stores in the past. Now, they have been extended to small outlets and merchants. This year, 14% of Chinese tourists made mobile payment in convenience stores, 10% in small and medium-sized supermarkets and 10% in cosmeceutical shops, all slightly higher than last year.

TOP 3 SHOPPING USE CASES OF MOBILE PAYMENT BY OUTBOUND CHINESE TOURISTS



Source: Nielsen

THE MOST POPULAR GOODS PURCHASED VIA MOBILE PAYMENT BY OUTBOUND CHINESE TOURISTS



Source: Nielsen

The average number of mobile-paid product categories per person rose to 3.0 from 2.4 in the previous year, with local specialties and food accounting for a much higher proportion. Chinese tourists to Australia and the US are more enthusiastic about paying with mobile payment, and they pay for an average of 3.2 product categories per person. Chinese tourists to Australia tend to use mobile payment to purchase souvenirs, arts and crafts, food, and cosmetics, and Chinese tourists to the US purchase local specialties, clothing, shoes and hats, handbags, suitcases, and digital products.

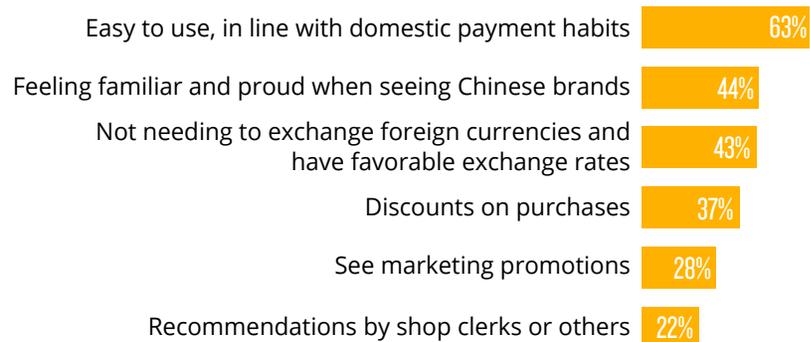


4. OVERSEAS MERCHANTS' ADOPTION OF MOBILE PAYMENT CATALYZES MORE SPENDING BY CHINESE TOURISTS.

THE INCREASING PROPORTION OF LOCAL MERCHANTS ADOPTING CHINESE MOBILE PAYMENT HAS REDUCED THE BARRIERS TO USING MOBILE PAYMENT FOR CHINESE TOURISTS.

There are many factors driving Chinese tourists to use mobile payment while abroad, and the most prominent one is consistency with their payment habits at home. Mobile payment frees Chinese tourists from having to try unfamiliar payment methods abroad, bringing greater enjoyment and convenience to their travels.

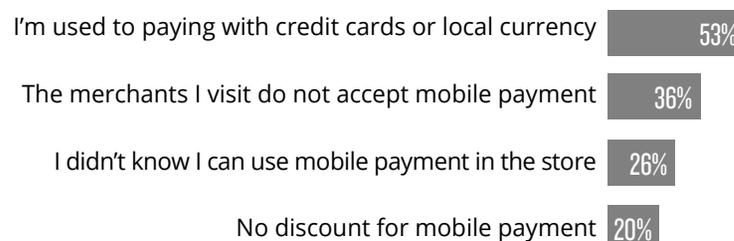
REASONS FOR USING MOBILE PAYMENT



Source: Nielsen

There are still some Chinese tourists who have not used mobile payment when they traveled overseas. Aside from their personal payment habits, a major factor affecting Chinese tourists' usage of mobile payment is whether or not local merchants accept mobile payment. In 2018, this factor accounted for a slightly lower proportion of the reasons given by Chinese tourists visiting Singapore, Malaysia and Thailand for not using mobile payment.

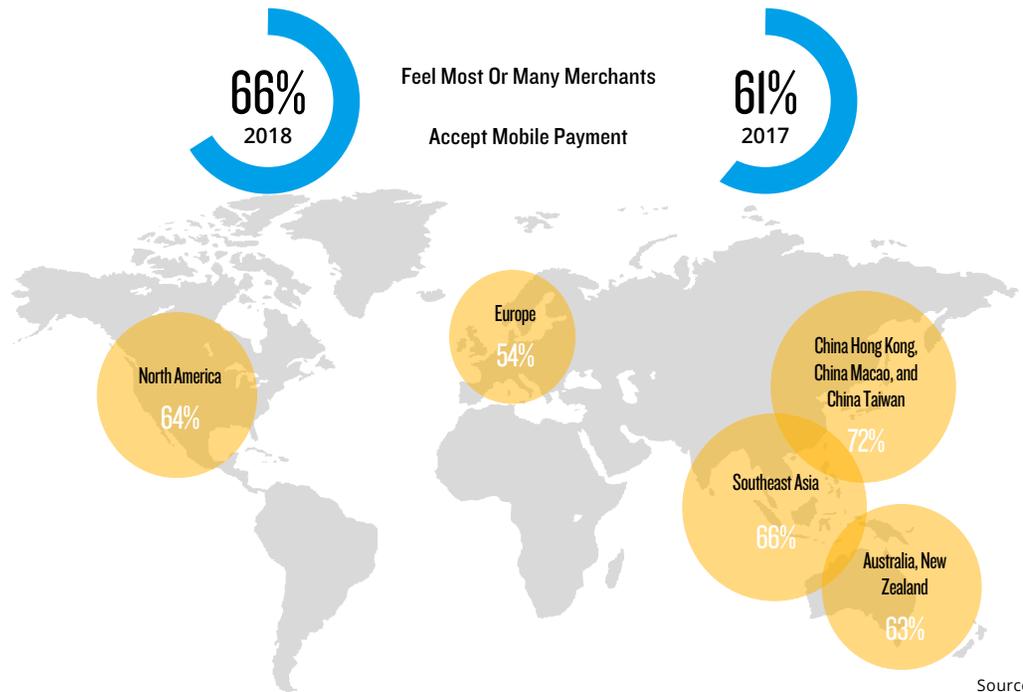
REASONS FOR NOT USING MOBILE PAYMENT



Source: Nielsen

In fact, most Chinese tourists have noticed an increase in the adoption of mobile payment by local merchants. In 2018, 66% of respondents stated that most local merchants accepted mobile payment, 5 percentage points higher than in 2017. Specifically, 72% of those travel to China Hong Kong, China Macao, and China Taiwan feel many local merchants already support Chinese mobile payment platforms. That figure for North America and Europe is lower, with 64% and 54% feeling so, respectively.

DO YOU FEEL THAT MANY MERCHANTS OVERSEAS ACCEPT MOBILE PAYMENT?



Source: Nielsen

MORE THAN 90% OF CHINESE TOURISTS ARE WILLING TO USE MOBILE PAYMENT MORE DURING FUTURE OUTBOUND TRAVELS.

Whether merchants accept mobile payment has an impact on the usage of mobile payment by outbound Chinese tourists. Most (94%) Chinese tourists stated that they would probably use mobile payment more often when traveling if more merchants were to support it. This figure was slightly higher than the previous year's figure of 93%.

As more merchants begin to accept mobile payment, Chinese tourists will be more motivated to spend. Compared with the previous year (91%), 93% of tourists said they would probably spend more in a store that accepted mobile payment.

LIKELY TO USE MOBILE PAYMENT MORE



LIKELY TO MAKE ME MORE WILLING TO SHOPPING



Source: Nielsen

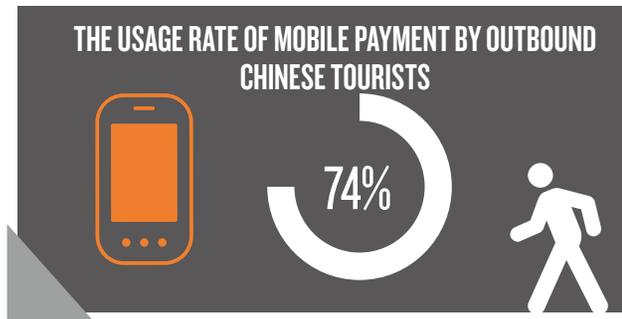


CHAPTER 3

CHINESE MOBILE PAYMENT IN THE EYES OF MERCHANTS IN SINGAPORE, MALAYSIA AND THAILAND

I. THE CURRENT STATUS AND FUTURE TRENDS OF CHINESE MOBILE PAYMENT ADOPTION BY OVERSEAS MERCHANTS.

LOCAL MERCHANTS FOUND THAT THE USAGE RATE OF MOBILE PAYMENT BY CHINESE TOURISTS IS MUCH HIGHER THAN BY NON-CHINESE TOURISTS AND THAT THE RATE KEEPS GROWING.



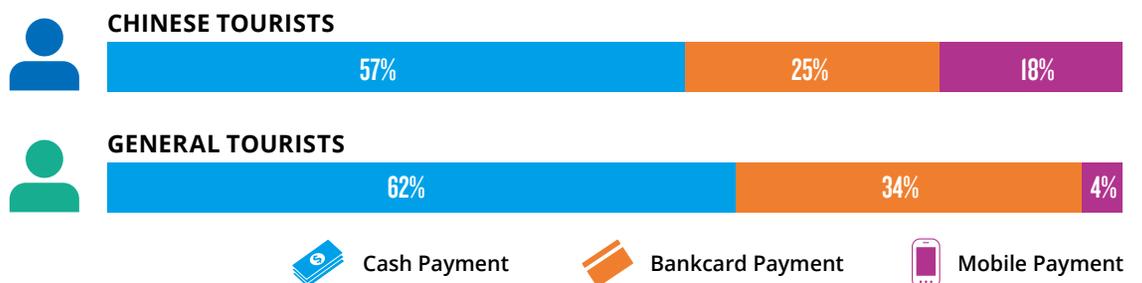
FROM THE POINT OF VIEW OF CHINESE TOURISTS WHO TRAVELED TO SINGAPORE, MALAYSIA AND THAILAND

Source: Nielsen

FROM THE POINT OF VIEW OF MERCHANTS IN SINGAPORE, MALAYSIA AND THAILAND:

Some merchants in Singapore, Malaysia and Thailand found that customers often use mobile payment as a supplement to cash and bank card payments. Only 4% of them use mobile payment frequently. On the other hand, while Chinese tourists use a variety of payment methods, far more of them choose mobile payment as their primary payment method than general tourists. Data shows that merchants in Singapore, Malaysia and Thailand believe that 18% of Chinese tourists prefer using mobile payment for checkout, compared to 25% who prefer bank card payment. The difference between these two figures is far smaller than that for general tourists.

PAYMENT METHOD USED MOST OFTEN BY CUSTOMERS



Source: Nielsen

AS BOTH THE USAGE RATE OF AND AMOUNT SPENT WITH MOBILE PAYMENT GROW AMONG CHINESE TOURISTS IN SINGAPORE, MALAYSIA AND THAILAND, LOCAL MERCHANTS HAVE INCREASINGLY REALIZED THE IMPORTANCE OF ADOPTING CHINESE MOBILE PAYMENT.

Merchants in Singapore, Malaysia and Thailand clearly feel that a steadily increasing number of Chinese tourists are using mobile payment. Of the merchants surveyed in these destinations, 92% said that the usage rate of mobile payment by Chinese tourists remained stable or increased this year, compared to last year. In addition, 92% of them felt that the amount spent by Chinese tourists through mobile payment remained stable or increased.

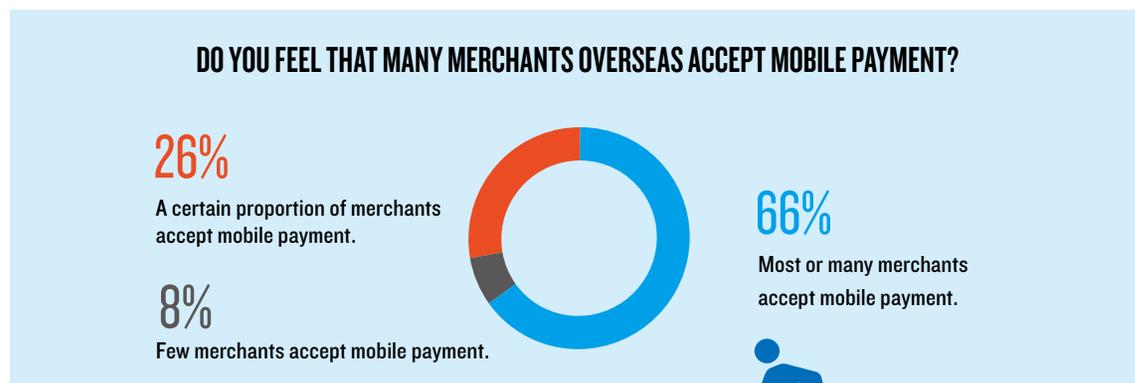
TRENDS FOR MOBILE PAYMENT USAGE BY CHINESE TOURISTS



Source: Nielsen

ABOUT 60% OF OVERSEAS MERCHANTS IN AREAS HIGHLY FREQUENTED BY TOURISTS HAVE ADOPTED MOBILE PAYMENT, AND OF THESE, 70% HAVE ADOPTED CHINESE MOBILE PAYMENT.

DO YOU FEEL THAT MANY MERCHANTS OVERSEAS ACCEPT MOBILE PAYMENT?



FROM THE POINT OF VIEW OF CHINESE TOURISTS WHO TRAVELED TO SINGAPORE, MALAYSIA AND THAILAND

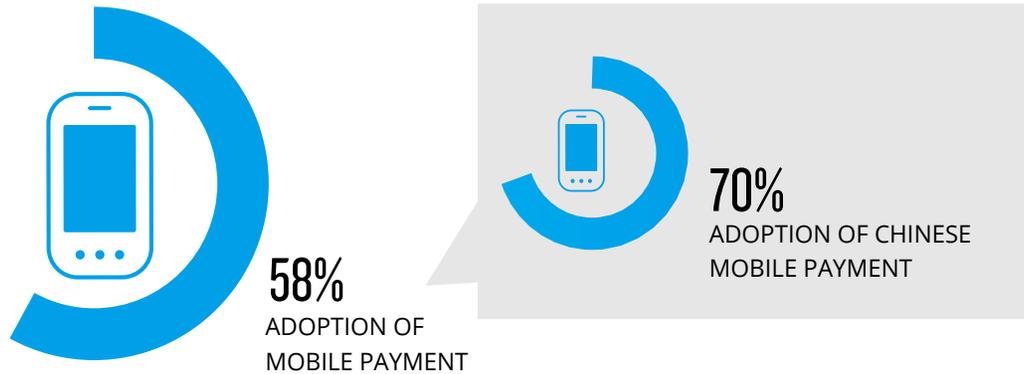
Source: Nielsen

According to merchants in Singapore, Malaysia and Thailand, as of the end of 2018, 58% of the stores in popular tourist attractions have provided mobile payment services. The adoption rate of mobile payment by merchants is 59% in popular attractions in Singapore, 55% in Thailand, and 61% in Malaysia.

Through in-depth interviews with local merchants, we found that commonly-used mobile payment solution in these destinations includes e-wallets developed by third-party companies, apps provided by banks or credit card agencies, and NFC (near field communication) payment. Numerous local mobile payment brands are active in these countries, exhibiting a low level of market concentration. A single payment brand mainly serves one to three consumption scenarios and only a few brands can cover almost all the daily consumption scenarios.

In popular tourist attractions in Singapore, Malaysia and Thailand, 70% of merchants with mobile payment services have adopted Chinese mobile payment solution. Among them, Chinese tourists can pay with Chinese mobile payment apps at the majority of the merchants which accept mobile payment at popular attractions in Malaysia.

MOBILE PAYMENT ADOPTION RATE OF MERCHANTS IN POPULAR TOURIST ATTRACTIONS IN SINGAPORE, MALAYSIA AND THAILAND

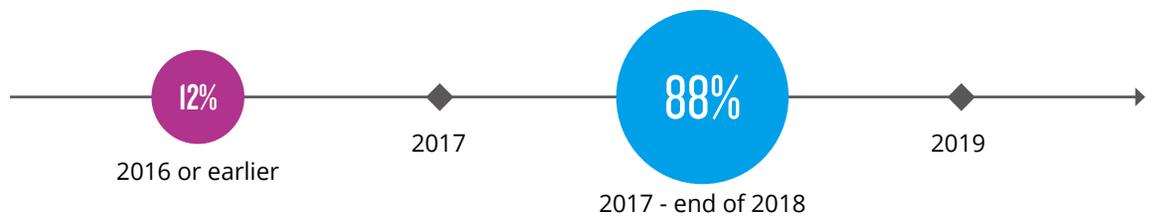


OVER THE PAST TWO YEARS, CHINESE MOBILE PAYMENT HAS SEEN EXPONENTIAL GROWTH IN MERCHANTS' ADOPTION, PROVIDING NEW BUSINESS IMPETUS FOR LOCAL BRICK-AND-MORTAR RETAILERS.

Among the overseas merchants in Singapore, Malaysia and Thailand that offer Chinese mobile payment solution, only 12% of them adopted the solution before or during 2016. The remaining 88% adopted Chinese mobile payment over the last two years, highlighting the exponential growth in the number of merchants adopting Chinese mobile payment between 2017 and 2018. The growing coverage of mobile payment among merchants in popular tourist attractions in these destinations makes payment more convenient for Chinese tourists.

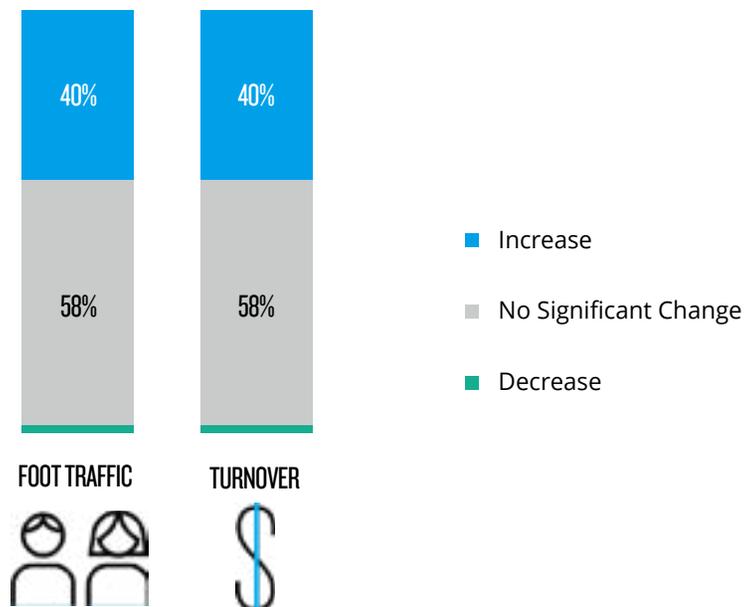
The adoption of Chinese mobile payment has also further motivated brick-and-mortar retailers to go digital with their operational and marketing efforts. According to the survey, 40% of merchants saw their overall foot traffic increase after adopting Chinese mobile payment and 40% saw their turnover increase.

WHEN DID YOUR BUSINESS ADOPT CHINESE MOBILE PAYMENT?



Source: Nielsen

DID YOUR FOOT TRAFFIC AND TURNOVER CHANGE AFTER ADOPTING CHINESE MOBILE PAYMENT?



Source: Nielsen

2. WHY ARE OVERSEAS MERCHANTS WILLING TO ADOPT CHINESE MOBILE PAYMENT?

As merchants in tourist attractions in Singapore, Malaysia and Thailand become increasingly familiar with Chinese mobile payment services, their understanding of Chinese mobile payment brands has deepened. Like Chinese tourists, most merchants in tourist attractions agree that Chinese mobile payment is convenient and easy to use. Many merchants also consider it to be secure, credible, efficient and closely linked to Chinese consumers.



LOCAL MERCHANTS REALIZE THAT CHINESE TOURISTS ARE ACCUSTOMED TO MOBILE PAYMENT.

When asked why they chose to adopt Chinese mobile payment, many local merchants said that they noticed that Chinese tourists are accustomed to mobile payment.

REASONS FOR MERCHANTS IN SINGAPORE, MALAYSIA AND THAILAND TO ADOPT CHINESE MOBILE PAYMENT

	REASONS
Many Chinese use it, and Chinese tourists are a key source of foot traffic	60%
Many Chinese tourists ask or request to use mobile payment	60%
Their service provider/ The government recommends it	37%
Other merchants are using it	25%
Many special offers that can attract foot traffic	21%
Shop assistants/ friends/ family/ children helped with the adoption	9%

Source: Nielsen

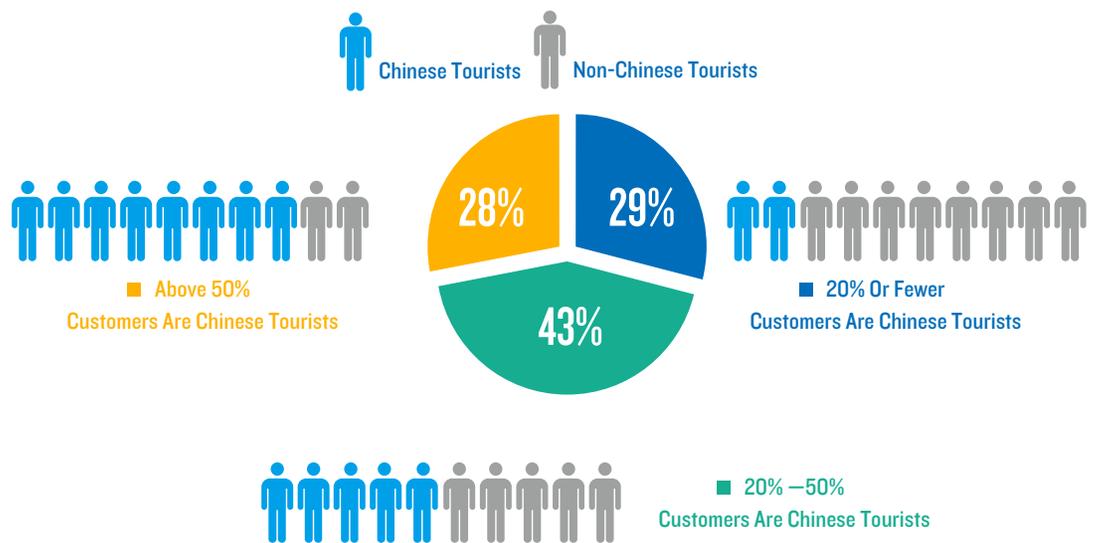
Mobile payment is used by many Chinese tourists who constitute a significant source of foot traffic and turnover for merchants in popular tourist attractions in Singapore, Malaysia and Thailand.

"Our store is located in a Chinese-tourist-intensive area, and they are our main customers. If e-payment is not available, we will lose a lot of customers." (A merchant in Malaysia)

In addition, survey data shows that Chinese tourists are major contributors to both the foot traffic and turnover of merchants in these tourist attractions. In these areas, 43% of the merchants surveyed saw 20-50% of their foot traffic come from Chinese tourists, while 28% of them acquired more than half of their foot traffic from Chinese tourists.

Furthermore, Chinese tourists' spending has also made up a considerable portion of the operating revenue for merchants in these tourist attractions. Of these merchants, 48% saw 20-50% of their operating revenue come from Chinese tourists, while 29% saw more than half of their operating revenue contributed by Chinese tourists.

PROPORTION OF CHINESE TOURISTS IN POPULAR TOURIST ATTRACTIONS IN SINGAPORE, MALAYSIA AND THAILAND



Source: Nielsen

Merchants have learned that mobile payment is the main payment method for Chinese tourists and noticed many Chinese tourists are asking to use it to pay.

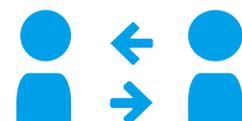
Of merchants surveyed, 60% said that Chinese tourists are accustomed to using mobile phones for payment. Among them, some store owners learned from the Internet that mobile payment is quite popular in China, while others learned so from communications with service providers, tour guides or others. A larger portion of merchants learned about it when dealing with Chinese tourists, many of whom would request to use mobile payment. According to a special survey targeting merchants in Singapore, Malaysia and Thailand, 90% of merchants encountered Chinese customers that asked if mobile payment was accepted in their store.

"The majority of my customers are tourists and most of them are from China. Their payment habits are not like Americans or Europeans who prefer paying by credit cards. We understand from a macro point of view that the Chinese culture now is cashless, so I will really need to go into that."

"In the process of communication, we realized that it's really quite convenient. For example, they can bind more than one card in mobile phones."

HAVE BEEN ASKED BY CHINESE TOURISTS IF THEY CAN PAY BY MOBILE PHONES?

90%



Source: Nielsen

"We realized that more and more customers, especially millennials, will ask for payment by mobile phones."

"Chinese customers will intuitively ask for mobile payment, even though we didn't mention it."

Recommendations by Chinese mobile payment companies or their agents.

Some local merchants said that official promotions by Chinese mobile payment service providers and recommendations by related service providers were also important reasons for them to adopt Chinese mobile payment.

"Agent service providers contacted us to introduce Chinese mobile payment solution, services, and fees."

Recommendations by partners or other merchants, all of which see this as a trend.

Some local merchants said that they adopted Chinese mobile payment because "other merchants are using it". Mobile payment represents the general trend for offline businesses.

"Nowadays, Singapore is also going into mobile payment. Our Prime Minister said during his national day rally that we have to catch up with China."

"My partner recommended that to me, and said mobile payment is a must."

"I have three stores in Sentosa, which struck a strategic partnership with a Chinese mobile payment brand. They hoped merchants in the region will adopt this brand actively. I also have friends using it."

Chinese mobile payment solution offers a variety of marketing activities, boosting turnover.

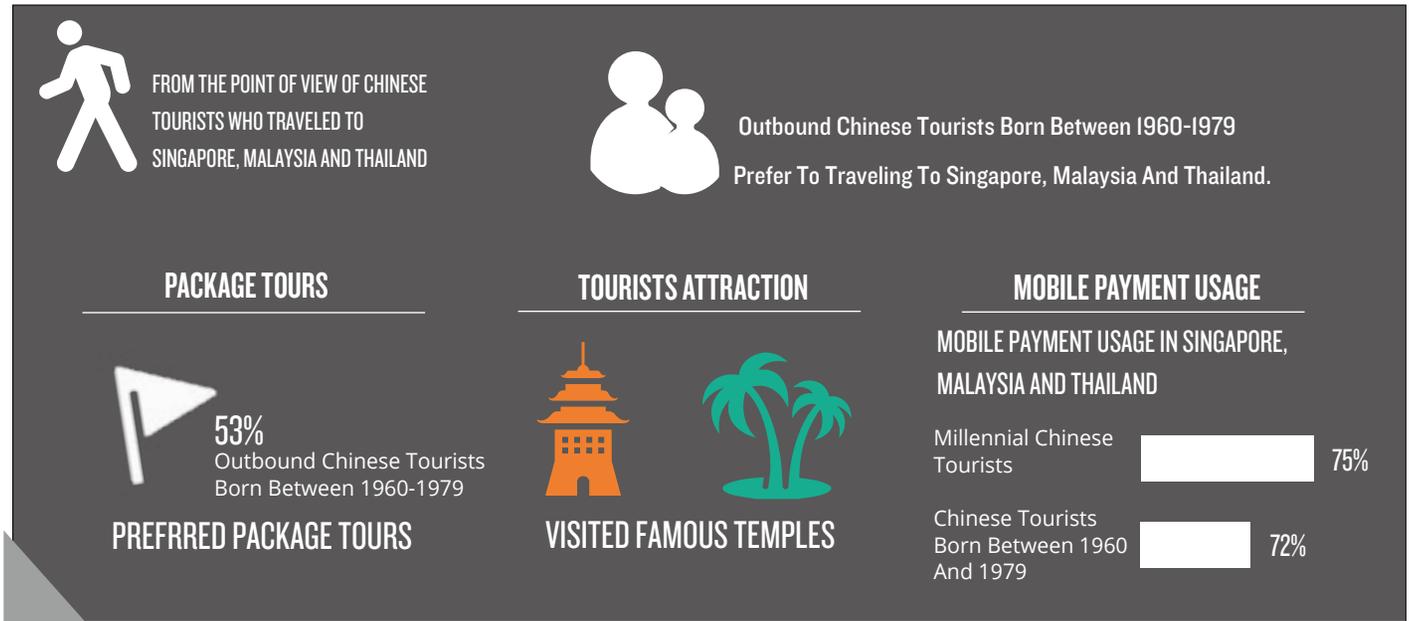
What Chinese mobile payment can bring to merchants is not limited to convenience. Of the merchants surveyed in tourist attractions, 23% also mentioned that Chinese mobile payment service providers offered a diverse range of promotional campaigns (discounts, red packets and other special offers, etc.) that could help their stores attract customers.

"They offer promotions from time to time. For example, a Chinese mobile payment brand has a red packet promotion. When Chinese tourists scan the red packet and then pay for their purchases, they'll deduct the money from the account. It's a rebate."

"We signed the agreement simply through some email correspondences. Then over time, we also signed up with some programs and marketing tools."

"'The Chinese mobile payment is not just a payment method. It is also a marketing tool', said a representative from agent ebuy."

HOW MERCHANTS IN SINGAPORE, MALAYSIA AND THAILAND SEE CHINESE TOURISTS USING MOBILE PAYMENT?



Source: Nielsen

In Singapore, Malaysia and Thailand, from the merchants' point of view, Chinese mobile payment not only brings foot traffic and higher turnover but also changes Chinese tourists' in-store consumption behavior. Among the merchants surveyed in tourist attractions, 51% said that they observed changes in Chinese tourists' consumption behavior after adopting Chinese mobile payment solution. Some merchants said that Chinese customers would buy more products and become more interested in realizing their intended purchases. Some identified an increase in the amount of individual consumption by Chinese tourists. Others said Chinese customers would buy additional small commodities.

PERCEPTION ON CHINESE CUSTOMERS' BEHAVIOR AFTER MERCHANTS' ADOPTION OF CHINESE MOBILE PAYMENT



Source: Nielsen

3. A GREATER RANGE OF OVERSEAS MERCHANTS ARE ADOPTING CHINESE MOBILE PAYMENT.

STORES WHERE CHINESE TOURISTS ARE A MAJOR SOURCE OF CUSTOMERS ATTACH MORE IMPORTANCE TO ADOPTING CHINESE MOBILE PAYMENT.

Overall, merchants with Chinese tourists accounting for over half of the customers have a higher adoption rate of Chinese mobile payment solution. 56% of them have already adopted Chinese mobile payment. This figure is almost equal to the proportion of local merchants who accept mobile payment.



Source: Nielsen

MORE DIVERSE RANGE OF MERCHANTS ADOPT CHINESE MOBILE PAYMENT, ESPECIALLY LOCAL SUPERMARKETS AND DUTY-FREE STORES.

By the second half of 2018, merchants in popular attractions in Singapore, Malaysia and Thailand had adopted Chinese mobile payment for the main consumption scenarios for outbound travelers. Shopping use case sees the highest adoption rate of Chinese mobile payment (47%). Chinese tourists to local department stores, supermarkets, gift shops, beauty shops, specialties stores and market stalls often use mobile payment for shopping. In particular, 75% of supermarkets and convenience stores that sell daily necessities and local specialties accept Chinese mobile payment. For duty-free stores and luxury stores that sell high-quality goods and gifts, 71% accept mobile payment. Chinese tourists can travel cash-free in some of the tourist attractions in these destinations.

ADOPTION OF CHINESE MOBILE PAYMENT



4. CASE STUDY: HOW A CHINESE MOBILE PAYMENT BRAND HELPS LOCAL MERCHANTS BETTER SERVE TOURISTS FROM CHINA?

In the past two years, the adoption of Chinese mobile payment by merchants in Singapore, Malaysia and Thailand has experienced exponential growth. In addition to the prevalent payment habits of Chinese tourists, Chinese mobile payment providers' efforts to serve their Chinese customers abroad also deserve credit. Take Alipay for example, a popular mobile payment service provider in China that is also frequently mentioned by the merchants surveyed, 68% of Chinese tourists said they used Alipay in their most recent outbound travels in 2018, a year-on-year increase of 5 percentage points. In addition, this whitepaper explores Alipay's development trends from the perspective of merchants in these destinations and its impact on local business operations.

ALIPAY'S DEVELOPMENT TRENDS IN SINGAPORE, MALAYSIA AND THAILAND.

At present, many of the surveyed merchants in these destinations said their stores had adopted the Alipay system. Surveys show the adoption of Alipay among local merchants has increased significantly in recent years.

When asked whether they would recommend Alipay to their peers, 71% of Alipay-adopting merchants said they would probably do so. Among non-Alipay-adopting merchants, 59% said they would probably consider adopting Alipay.



Source: Nielsen

REALIZING ALIPAY IS AN IMPORTANT PAYMENT METHOD USED BY CHINESE TOURISTS IS THE DIRECT REASON FOR LOCAL MERCHANTS TO ADOPT MOBILE PAYMENT, WHILE BOOSTING SALES AND OPERATIONAL EFFICIENCY IS THE UNDERLYING DRIVE FOR ADOPTION.

When asked about reasons for Alipay adoption, 66% of the surveyed merchants said that Alipay has become a routine payment method for Chinese tourists.

Furthermore, Alipay provides convenient payment experiences and promotional offers to Chinese tourists, who contribute a major proportion of foot traffic to local merchants and in turn boost their sales. In fact, 58% of surveyed merchants said that after adopting Alipay, their foot traffic increased, while 56% claimed an increase in turnover.

In-depth interviews with local merchants reveal that Alipay also offers them considerate assistance and professional support for business operation, such as training sessions on the transaction process, collaboration on Alipay-based marketing campaigns, and back-end operational support. Some merchants who adopted Alipay earlier even expressed with pride that Alipay helped them gain an upper hand, showcasing their nimble commercial sense.

A STORY FROM MERCHANTS IN MALAYSIA

We interviewed a senior manager at a small food and specialty store in Malaysia with three branches near Petaling street, Kuala Lumpur, selling local specialties and ice cream. Their customers are primarily tourists, with 30% coming from China. Their turnover increased by 20-30% after adopting Alipay.

"Chinese tourists will often buy some Malaysian specialties such as white coffee and curry. The special offers by Alipay persuaded them into making actual purchases. Once, a dozen young Chinese tourists walked into our store, looking around with no intention to actually buy something. One of them got a red packet of RMB 25 for outbound travel on Alipay when paying for coffee products, and he eventually only paid RMB 8. He shared the good news with his friends who became eager to try to win red packets and proceeded to make purchases."

The preferential exchange rate and red packet promotions have boosted Chinese customers' willingness to make purchases, thus driving sales.

"From customers' point of view, Alipay can offer Chinese tourists more preferential exchange rates."

"For example, a customer needs to pay MYR 20 (equal to RMB 33). If he wins an Alipay red packet, he can get RMB 25. Then, he only needs to pay RMB 8. It is quite cheap."

"Our revenue increased by 20-30% after adopting Alipay."

Improved efficiency.

"No cash is needed, so money collection becomes quicker. What's more, every transaction is recorded clearly, saving time on account checking."

Store owners feel proud.

"In the early days, we were the first store to adopt Alipay on the street. We are excited to have such a flexible way of doing business."

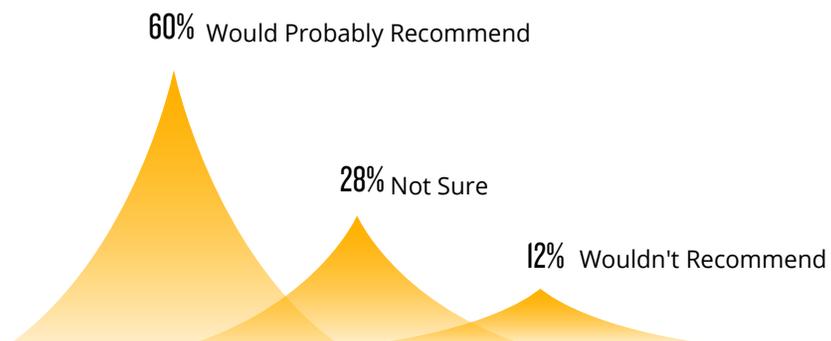
5. OPPORTUNITIES AND CHALLENGES FACING CHINESE MOBILE PAYMENT IN OUTBOUND TOURISM MARKETS.

MORE OVERSEAS MERCHANTS ARE WILLING TO ADOPT OR RECOMMEND CHINESE MOBILE PAYMENT TO THEIR PEERS.

In the face of the increasing demand for mobile payment among Chinese customers, 60% of the merchants surveyed who have adopted Chinese mobile payment said that they would probably recommend this convenient and value-creating trading solution to their peers, relatives, and friends.

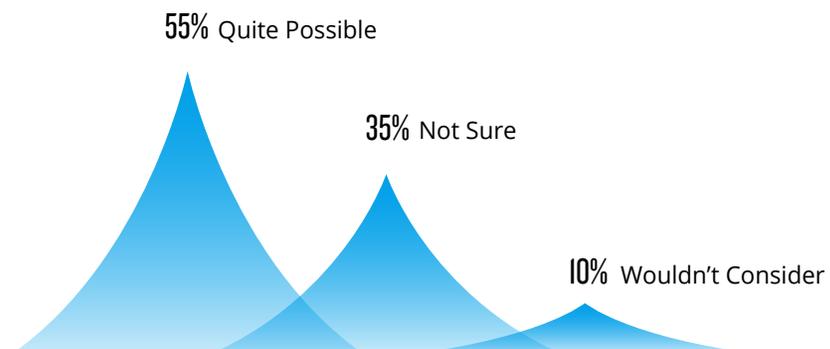
Among merchants in Singapore, Malaysia and Thailand who have not adopted Chinese mobile payment, 55% said they probably would do so in the future. Merchants who accept mobile payment but have yet to adopt Chinese mobile payment solution seem to be more confident about Chinese mobile payment than those who have never tried mobile payment. The former group is more confident that Chinese mobile payment will help grow their business.

WHETHER TO RECOMMEND CHINESE MOBILE PAYMENT TO THEIR PEERS



Source: Nielsen

WHETHER TO ADOPT CHINESE MOBILE PAYMENT



Source: Nielsen

OVERSEAS MERCHANTS' EXPECTATIONS: VITALIZE LOCAL MOBILE PAYMENT INDUSTRIES.

With the increasing popularity of Chinese mobile payment in Singapore, Malaysia and Thailand, the merchants in these locations have gained a deeper insight into Chinese mobile payment brands and have higher expectations for their development in the local community.

These merchants hope that Chinese mobile payment, built upon years of technical expertise and operational experience, can help drive the digital transformation of their local mobile payment industries into a better-developed ecosystem. They expect Chinese mobile payment products and technologies to serve people other than Chinese tourists, including non-Chinese tourists and local residents. This will help expand the local mobile payment industries, enabling more tourists and local residents to use and benefit from mobile payment.

"Multi-lingual interfaces available: Chinese, English and Thai."

"Can be used by the locals."

"We hope to further promote our local cashless programs with the help of Chinese mobile payment platforms. Mobile payment has been prevalent in China and is even adopted by street vendors."

"Hope we can use facial recognition as well. China already has this, and they don't even need to bring their phones. Their faces should be enough to do the trick."

LONG-TERM CHALLENGE: KEEPING PACE WITH NEW CONSUMER DEMANDS AND EXTENDING SERVICES TO MORE MERCHANTS GLOBALLY.

2018 saw a steadily increasing proportion of outbound Chinese tourists using mobile payment, as well as a surge in the adoption rate of Chinese mobile payment by local merchants. The user base is no longer heavily dominated by millennial Chinese tourists, instead becoming a more diverse one that includes tourists in all age groups. Local merchants adopters of mobile payment, which used to be limited to those in shopping and dining locations, have also become a more diverse group. In outbound tourism markets, Chinese mobile payment brands have been delivering convenient services and spreading sophisticated marketing practices. They are also exploring opportunities to collaborate with local merchants in a whole new range of locations.

Despite the increasing use of Chinese mobile payment by Chinese tourists when they travel to popular outbound destinations, we noticed that more Chinese tourists are seeking personalized outbound tours to long-haul destinations and raised expectations for Chinese mobile payment platforms, which may pose challenges to mobile payment providers. For example, of the Chinese tourists who traveled to the US or Europe in 2018, 17% of them claimed the destinations they visited had few merchants providing Chinese mobile payment services. In fact, according to the 40% of Chinese tourists who traveled to North American and European destinations without using mobile payment,

one of the key reasons why they did not do so was such payment method wasn't accepted by local merchants.

In addition, take millennial tourists born after 1990 for example, they are the typical trend setters who seek personalized travel experiences and new adventures. In 2018 they shifted their sights from short-haul tours and opted to visit more long-haul destinations or to be the first explorers of some less-than-mainstream destinations. That's what led to the falling overseas usage rate of mobile payment (68%) by millennial Chinese tourists.

In conclusion, it is essential that Chinese mobile payment providers keep up with and analyze the changing demand for payment from outbound Chinese tourists. They should also focus on merchants in different parts of the world and examine what they expect out of a payment solution. By utilizing these insights, as well as their existing strengths, Chinese mobile payment brands will be more able to identify where to move forward and accelerate their efforts to go global to serve more merchants and users.



RESEARCH METHOD AND STATEMENT

Perspectives from Merchants and Consumers: 2018 Trends for Mobile Payment in Chinese Outbound Tourism is a specialized survey conducted by Nielsen on the outbound spending and payment behavior of tourists from the Chinese mainland, and merchants in tourist attractions from Singapore, Malaysia and Thailand , as well as the trends affecting their potential future behavior.

In October 2018, Nielsen conducted an extensive quantitative online survey with 2,806 residents from first, second and third tier cities of Chinese mainland as its research subjects, all of whom had traveled outbound in the past 12 months and plan to travel outbound in the next 12 months.

In terms of the respondents from the Chinese mainland, to guarantee the representativeness of the samples, the survey took random samples from residents aged 20-50 in first-tier cities such as Beijing, Shanghai, Guangzhou, and Shenzhen, second-tier cities such as Tianjin, Nanjing, Hangzhou, Chengdu, Chongqing, and Qingdao, and third-tier cities such as Jilin, Zaozhuang, Taiyuan, Zhuhai, and Shaoxing.

In addition, in November 2018, Nielsen field visited and investigated 1,244 merchants in and around the scenic area from Singapore, Malaysia and Thailand, including 281 merchants from Singapore, 500 merchants from Bangkok and Chiang mai, Thailand, and 463 merchants from Kuala Lumpur, Malaysia.

The data of merchants from Singapore, Malaysia and Thailand in the report was the sum of the statistical data of tourism contribution from the countries or regions after weighing. Nielsen also invited 9 merchants from Singapore, Malaysia and Thailand for face-to-face in-depth interviews.

This survey on trends for mobile payment in Chinese outbound tourism was a qualitative and quantitative research by Nielsen, commissioned by Alipay. The results of the survey do not necessarily reflect the opinions of the commissioning party. All data collected and presented was based on the basic conditions of the populations and was only intended to be used for the purpose of this survey. Nielsen Consumer Finance Research Team designed this survey and based its opinions on it in an attempt to provide a reference material for the general market, the industry, and the general public. Nielsen shall not bear any responsibilities or liability for the data and the opinions contained herein.

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