Nielsen Identifies Three Key Trends in China’s Finance Industry

Internet Financing, Digital Payment and Aging Consumers are the Keys to Success in China’s Ever-Changing Financial Market

In a series of recently-released China Financial Tracking Reports, Nielsen, a leading global information and insights provider on what consumers watch and buy, identified three key consumer trends that are reshaping China’s financial market.

INTERNET RESHAPES CHINA’S FINANCIAL INDUSTRY

“Internet Financing” was no doubt a popular buzzword in 2014, within China’s financial industry. Today, while Chinese consumers are given more choices than ever to pay and to manage their banking accounts, the traditional players in China’s financial market are facing big challenges. However, these shifts in banking also bring big opportunities for future growth.

Since the first launch of Yu’e Bao (an internet-based wealth management product owned by Alibaba) in 2013, the number of registered users had gone beyond 149 million by the third quarter of last year. According to Nielsen’s Financial Tracking Report, around 45% of online respondents claimed that they have invested in any internet-based wealth management products (including P2P, Yu’e Bao and WeChat-based wealth management products). Meanwhile, among those who have invested in Internet-based wealth management products such as Yu’e Bao, around 40% check earnings on daily basis, and about eight in 10 check earnings at least once every week.

In comparison, only 12% of respondents invested in products offered by traditional retail banks.

“Compared with the wealth-management products issued by traditional retail banks, our survey finds that convenient online purchase, low thresholds and high fluidity are the key reasons behind consumers’ preference to internet-based wealth management products,” said Alice Yu, vice president of Nielsen China.
When it comes to online payment, Nielsen’s survey shows that half of respondents are willing to use “WeChat Bank”, which is still regarded as an innovative internet financing concept for now. Consumers said they were hoping to try the functions of payment recharging (56%), bank transfer (56%), detailed billing information (47%), customer service (46%) and credit card payment reminders (43%) via WeChat Bank.

“Instead of technology, internet financing’s rapid growth is due to its innovative products and services, which truly put consumer-experiences at the center,” said Yu. “For the traditional banking industry, improving customer experience through emerging technology and channels, as well as simplifying other cumbersome wealth management procedures will be crucial to ensure success in the mobile internet era.”

FUTURE GROWTH IN THE CREDIT CARD MARKET NEEDS TO RIDE THE DIGITAL PAYMENT WAVE

According to Nielsen’s research, among Internet users from 20 cities across China, 94% of them have used an online payment platform.

“Over the past couple of years, China sees increasing innovation in digital payment via a variety of methods, including QR-codes, mobile-payments, etc. Chinese consumers have more payment choices for products and services than ever, while digital payment will continue to win over more Chinese consumers due to its convenient nature,” Yu said.

While the industry sees rapid development of digital payments, the growth of the credit card market declined from a year-on-year growth of 58% back in 2008 to only 18% by 2013. Nielsen’s research shows that Chinese consumers own 2.3 credit cards per person on average. “There is still room for credit cards to grow, but there is a ceiling as well. We expect increased competition between credit cards and third-party payments,” said Yu. “Meanwhile, the fight for higher-value customers is only getting fiercer.”

FINANCIALLY-POWERFUL ELDERLY CHINESE CONSUMERS PRESENT A GOLDEN OPPORTUNITY FOR THE FINANCIAL SERVICES INDUSTRY

Entering the 21st century, China has seen a fast-growing aging population. Consumers over the age of 60 now make up over 14% of China’s population. The figure is still growing rapidly, and is expected to reach 32% by 2015.

Nielsen’s survey shows that over the past decade, the elderly population has become more financially independent and secure. According to Nielsen’s China Financial Tracking Report, 70% of surveyed people over the age of 55 claimed to have purchased investment or wealth management products. Additionally,
more than half of the older respondents had life insurance, while 45% have at least one credit card.

Nielsen’s survey also found that nearly one fifth of senior respondents are “VIP” banking customers, meaning they have a high amount of money in a bank and almost one third are WeChat users.

Senior Chinese consumers present a real opportunity for the financial industry. “It’s definitely a segment that will grow in the future. However, China’s financial industry has traditionally not attached great importance to the aging consumer market,” said Yu. “More research needs to be conducted for a thorough understanding of the needs of today’s aging consumer. This will help China’s financial industry leverage innovative products and services to really satisfy unmet demands of the elderly demographic.”

About Nielsen Comprehensive Study Report on China’s Finance Market

Nielsen China Financial Track Report is the first-ever comprehensive research on China’s finance industry from consumer’s perspective. It was fielded from July to September 2014. Based on a large sample-sized survey of more than 17,000 consumers from 20 of China’s typical Tier 1 and Tier 2 cities, the report aimed at tracking key changes in China’s financial market, eventually offering Nielsen’s insights to help clients win in China’s ever-changing financial market. For more information about this report, please contact Meng Yan, Tel: 012-2326 9411, or Email at Knight.Meng@nielsen.com

About Nielsen

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