

Innovation in China: Spotlight on Retail and Ecommerce Innovation in China



Souheil Badran

 @souheilbadran

Why are you here?



UNLOCKING A
**DIGITAL
LIFESTYLE**

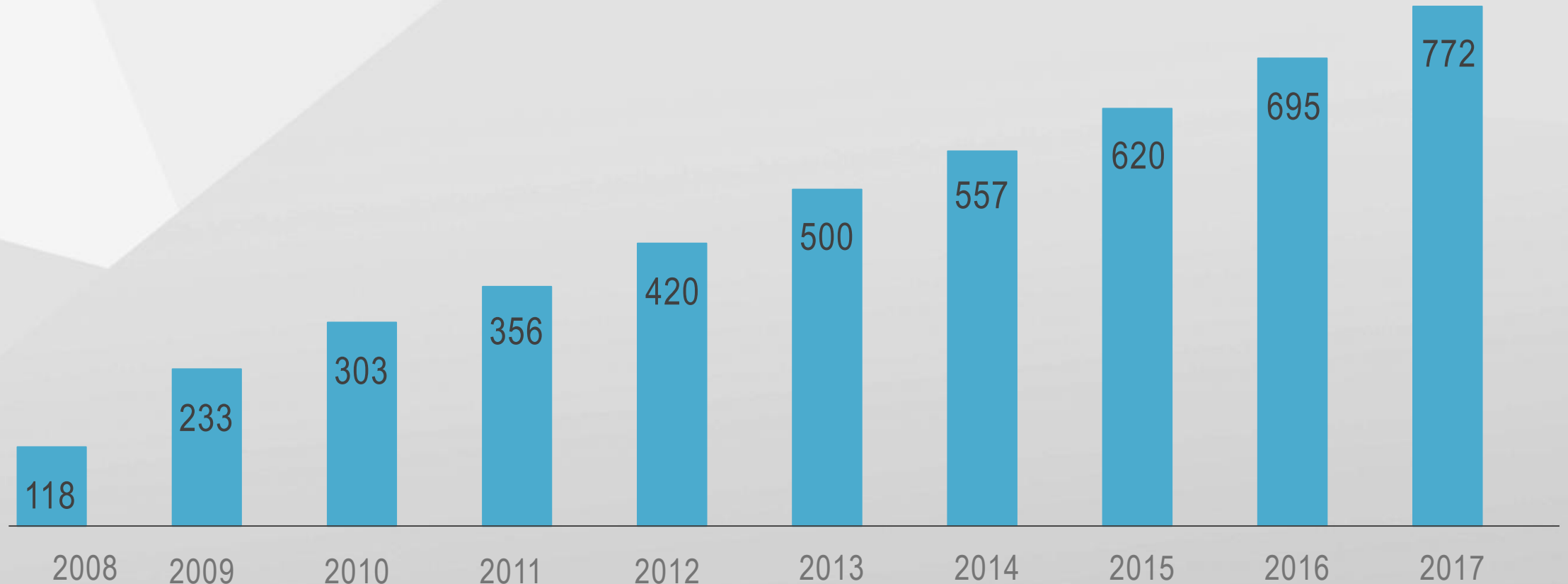


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China's **mobile** Internet boom took place

From 2008 to 2014, mobile Internet users in China grew by more than 400 million.



Sources: China Internet Network Information Center, CB Insights analysis



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5
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In 2008, Alipay was only a Payment Service

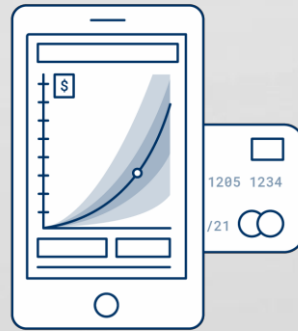
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ENABLING E-COMMERCE

As the designated online payment service for the 80M users on Alibaba's Taobao marketplace, consumers naturally adopted Alipay.

2



BYPASSING CREDIT CARDS

Because credit cards were not widely used in China, Alipay's escrow-based system and broad accessibility resonated with consumers.

3



GROWTH BEYOND ALI BABA

By 2008, Alipay was increasingly becoming an accepted payment method for retailers and service providers outside Alibaba's ecosystem.



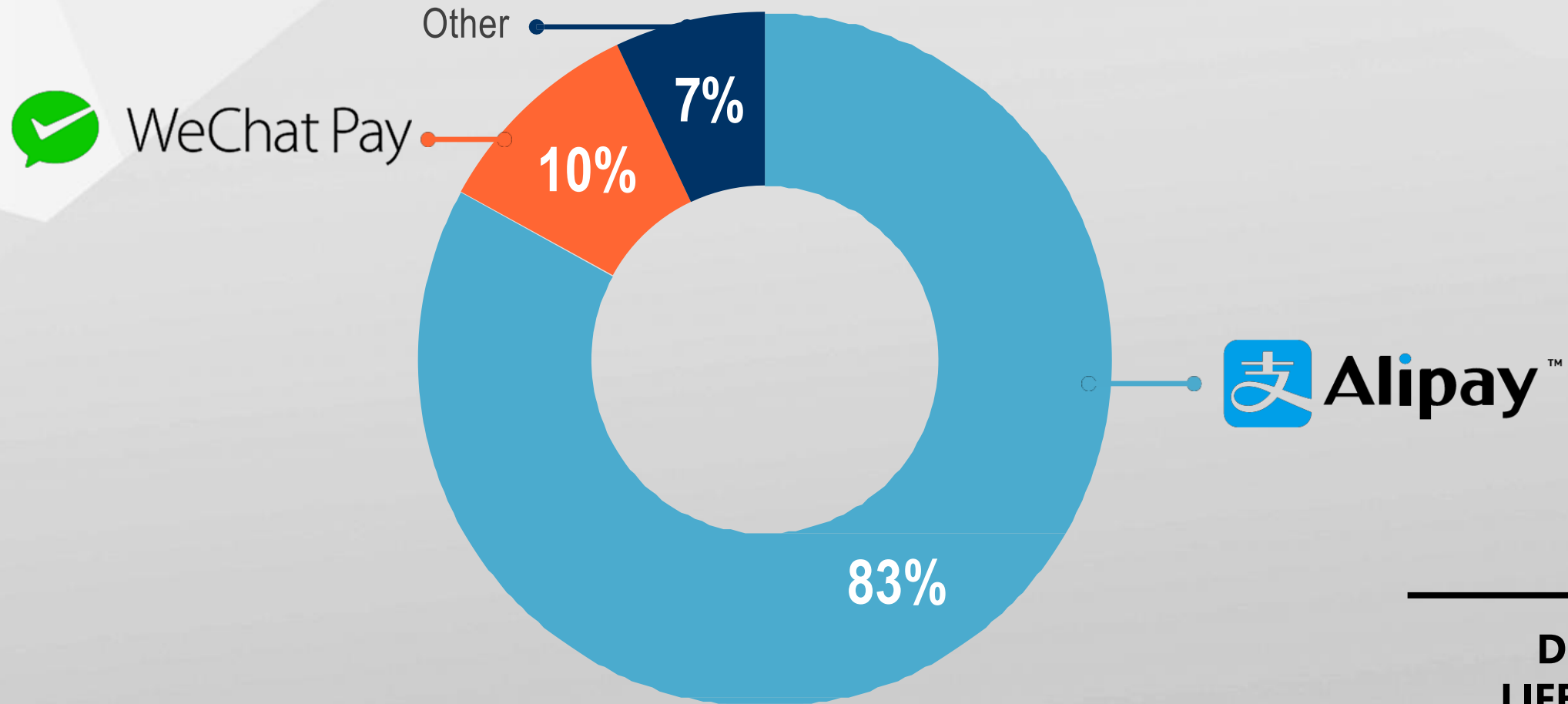
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For a while, Alipay was the only game in town

As Alipay transitioned from desktop to mobile, its share of China's total mobile payments transaction volume grew dominant.



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Product innovation & online-to-offline propel WeChat Pay to emerge as Alipay's rival

WECHAT RED ENVELOPE

768M senders on 2018 Chinese New Year



DIDI CHUXING

7.4B rides completed in 2017



MEITUAN

18M daily on-demand delivery orders



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Sources: Tencent, Didi Chuxing, Meituan-Dianping



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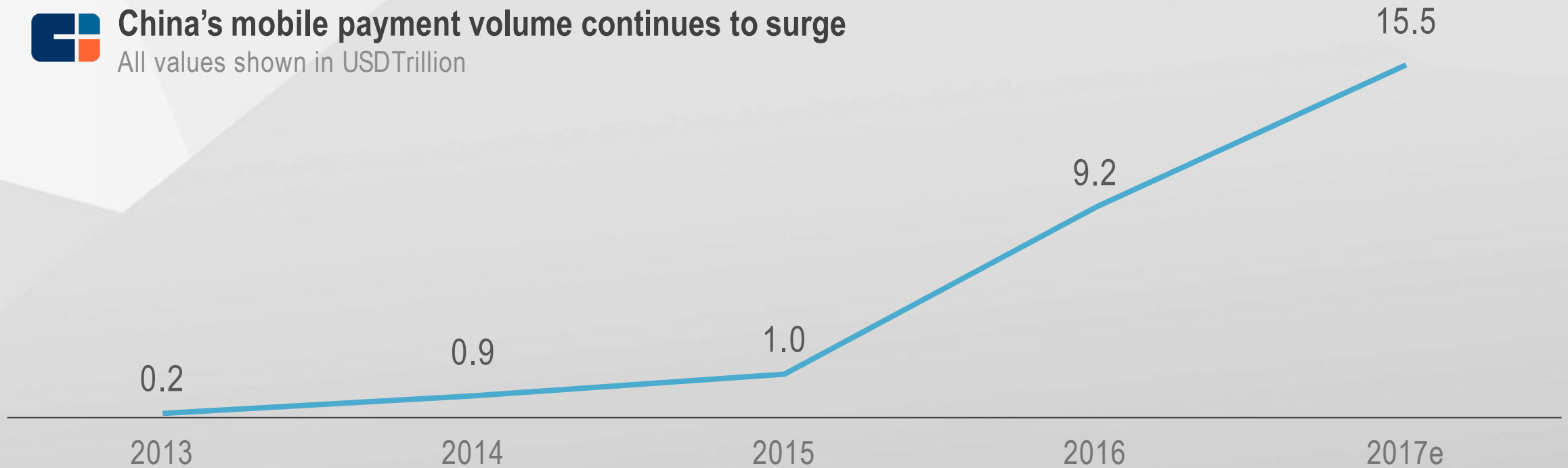
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Today, Alipay and WeChat Pay control 92% of China's fast-growing mobile payments universe



China's mobile payment volume continues to surge

All values shown in USD Trillion



Sources: iResearch, Analysys, CB Insights analysis



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Today: The world of ANT Financial

PAYMENTS



The crown jewel, Alipay, is now a mobile wallet that has **520M+ users**, and **110M+ partners across 15 countries**.

WEALTH MANAGEMENT



Yu'e Bao is a money market fund that invests spare change from Alipay wallets. The money market fund is **the largest in the world**, managing **\$233B** at the end of 2017.



Ant Fortune is a marketplace for other Ant Financial and third-party financial products. At the end of 2017, Ant Fortune had **330M users**.

INSURANCE



Ant Insurance Service has nearly **400M users** and is seeing premium growth of 43% YoY. Ant Financial's marketplace has **80+ insurance companies** selling thousands of products.

CREDIT SCORES



Zhima Credit creates a credit score based on social networks and payments history – among other factors. At the end of Q1'17, it had about **260M users**.

CONSUMER LENDING



Ant's consumer credit offering, Ant Credit Pay, has **100M active users**. In total, Ant Financial has lent **\$95B** to consumers through Q1'17.



Ant Cash Now allows Alipay users to borrow funds quickly, based on user risk profiles.

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What is **ALIPAY?**



An integral part of daily life
A gateway to the Chinese consumer



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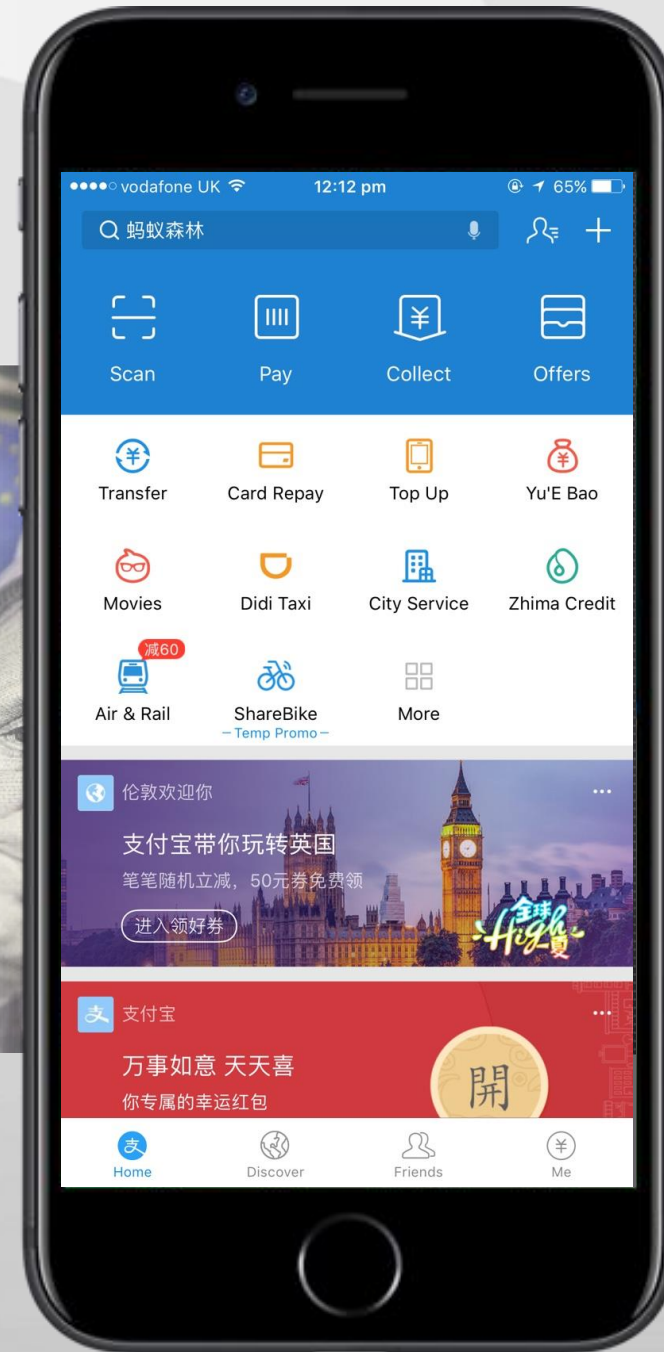
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Alipay's REACH

USERS

- **1 Billion+** active users
- **Most preferred** method of payment



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Alipay's REACH

MERCHANTS



MERCHANTS

10,000,000



RESTAURANTS

1,400,000



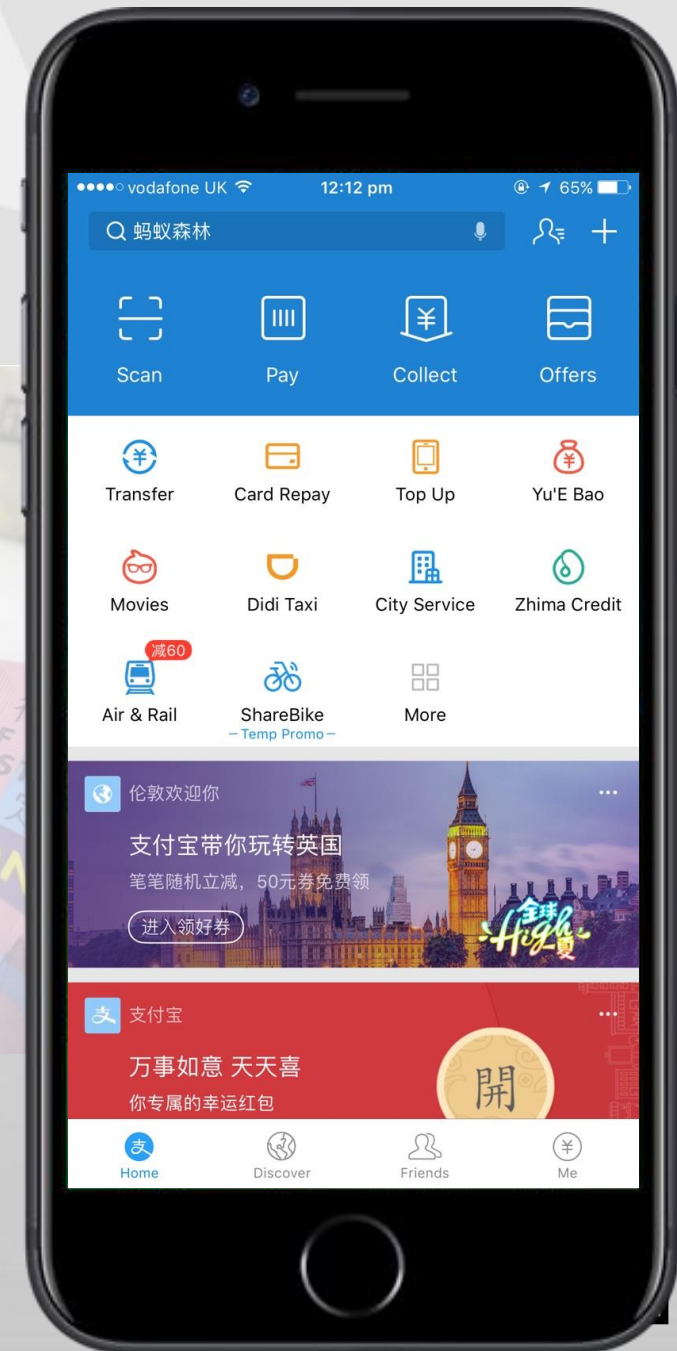
**SUPERMARKET /
CONVENIENT STORES**

140,000



TAXIS

10m+



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Alipay's REACH

GLOBAL

35+ countries and 27+ currencies



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Alipay USERS



10m
100m
500m
1B

1 Billion
Alipay users

The infographic features a large blue circle filled with a dense pattern of small human icons. A smaller white circle is positioned at the top of this large circle, containing the text '10m', '100m', '500m', and '1B' in orange, indicating a scale or progression.



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Alipay USERS

1
Billion
Alipay users

Spending
\$45K-75K
per year

10m
high spenders



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Alipay USERS

**OUTBOUND
TOURISTS**

120 million+ outbound tourists
70% are Alipay users



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Outbound Chinese traveller



**Growing in
number**



Venturing further



**Digitally
connected**



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Who are Chinese consumers?

MARITAL STATUS

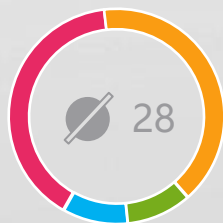


48%
MARRIED WITH KIDS

12%
MARRIED

40%
SINGLE

AGE



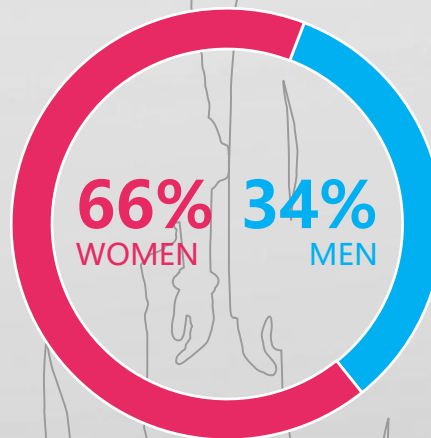
8%
< 23 YEARS

42%
23-28 YEARS OLD

42%
29-36 YEARS OLD

8%
> 36 YEARS

GENDER



AVERAGE MONTHLY ONLINE SPENDING



31%
< \$160

35%
\$161-\$320

26%
\$321-\$801

6%
\$802-\$1926

2%
> \$1927

ANNUAL INCOME



39%
< \$15k

44%
\$15k-\$39k

17%
< \$39k

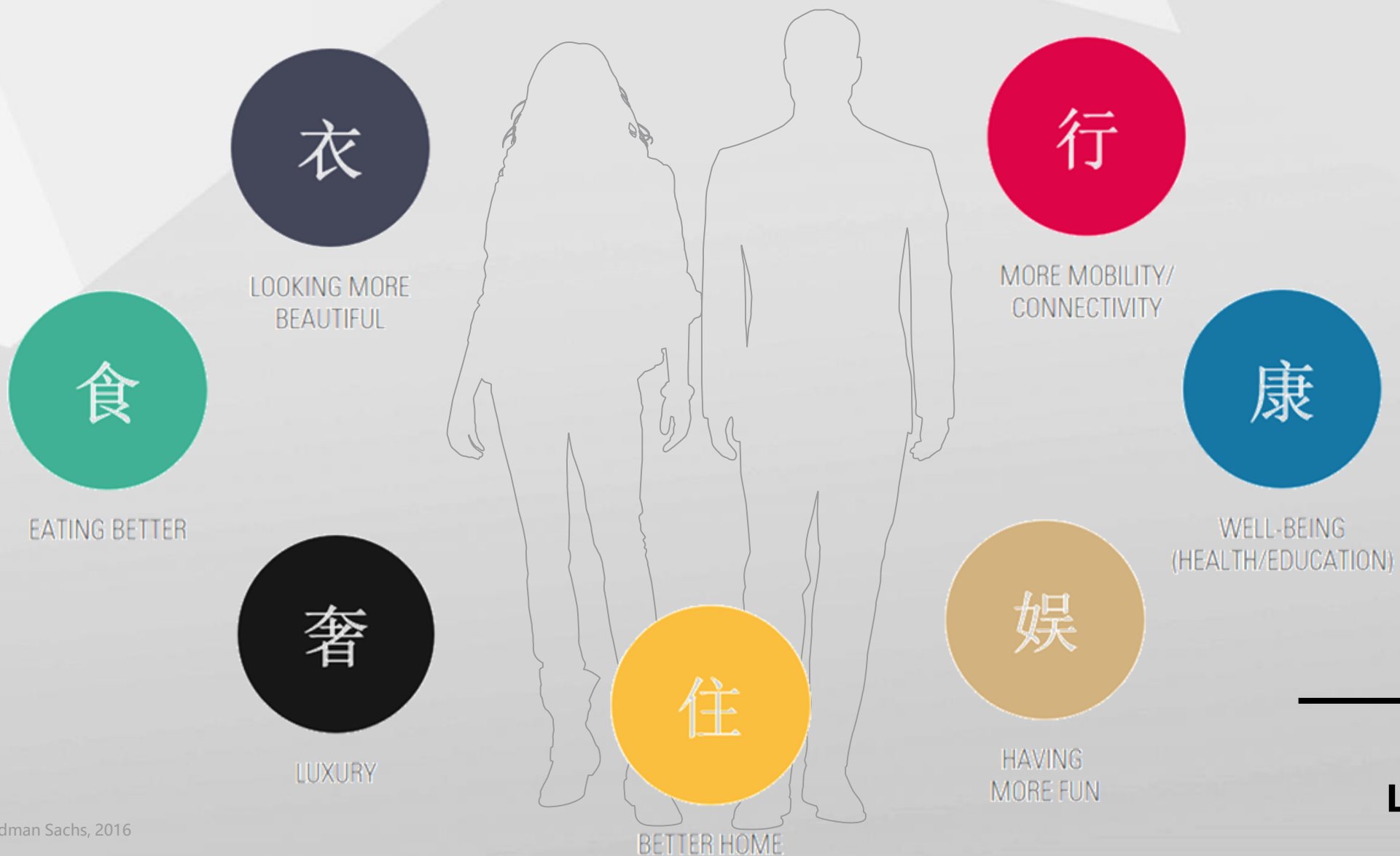
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SOURCE: AliZila's Tmall Global survey with more than 5,600 cross-border shoppers

What do Chinese consumers desire?



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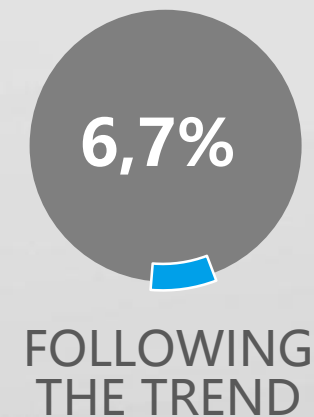
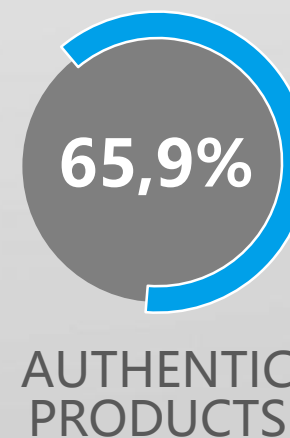
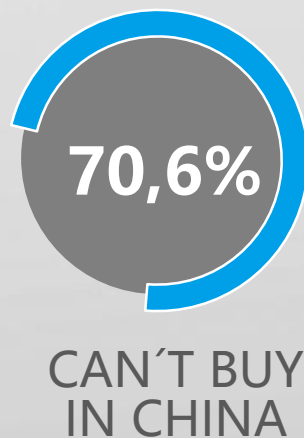


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SOURCE: Goldman Sachs, 2016

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Why do Chinese consumers shop overseas?



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SOURCE: AliZila's Tmall Global survey with more than 5,600 cross-border shoppers

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What do Chinese consumers buy overseas (retail selection)?

BABY CARE

DIAPERS	20%
BABY FOOD	48%
BABY FORMULAR	81%
TOYS AND MATERNITY	38%
BABY CLOTHING	19%



BEAUTY

COSMETICS	43%
SKINCARE	67%
COSMECEUTICALS	38%
PERFUME	30%



FASHION

HATS	6%
WOMEN'S APPAREL	50%
HANDBAGS/LUGGAGE	55%
SHOES	49%
MEN'S APPAREL'S	28%



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SOURCE: AliZila's Tmall Global survey with more than 5,600 cross-border shoppers

Fliggy's REACH



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Fliggy CUSTOMERS



Young

85% under 35



Educated

90% university educated



Urban

Mostly tier 1 & 2 cities



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What the CONSUMER SEES



BRANDED SHOP



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Alipay and TRAVEL

DIGITAL WALLET

Overcomes language barriers
Offers favourable foreign exchange rates

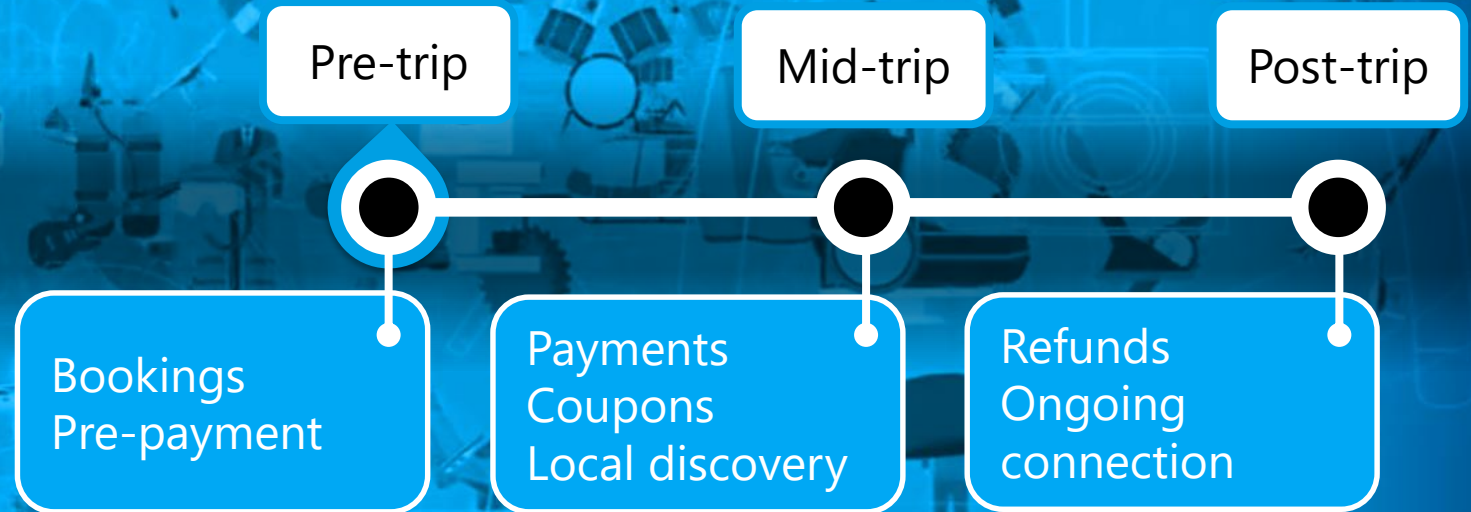


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Alipay and TRAVEL



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Alipay and TRAVEL

Pre-trip

Mid-trip

Post-trip



Alipay integrated with Fliggy for pre-purchase

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Alipay and TRAVEL

Pre-trip

Mid-trip

Post-trip



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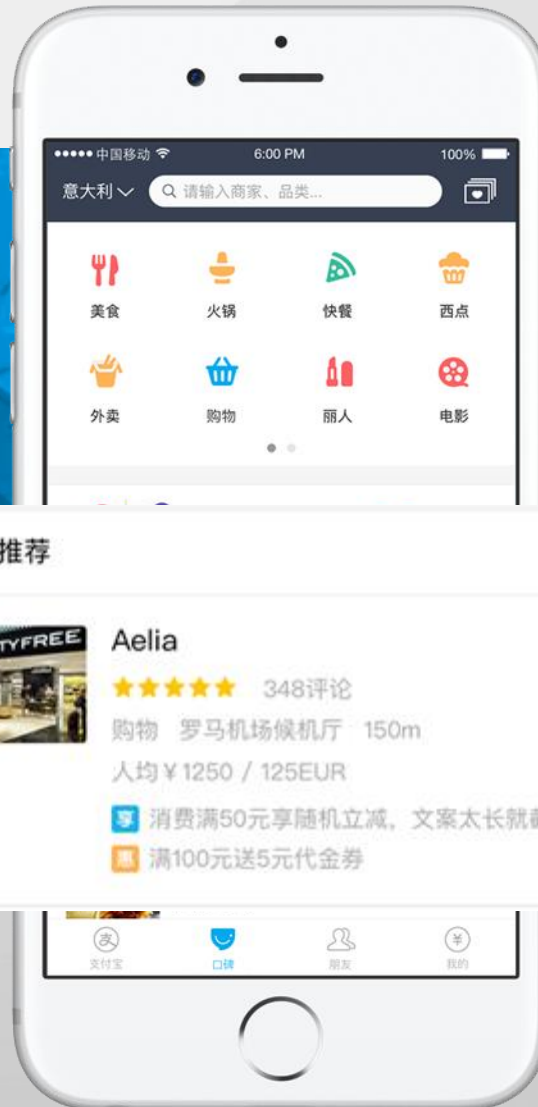
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Alipay and TRAVEL

Pre-trip

Mid-trip

Post-trip



Welcome and location based notifications upon arrival

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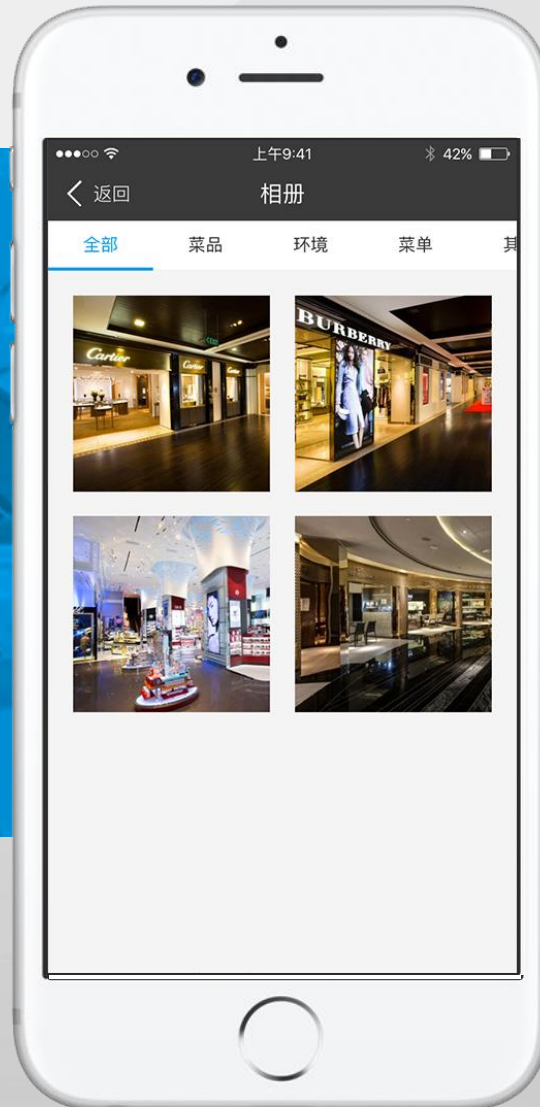
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Alipay and TRAVEL

Pre-trip

Mid-trip

Post-trip



Local directory with
detailed venue descriptions

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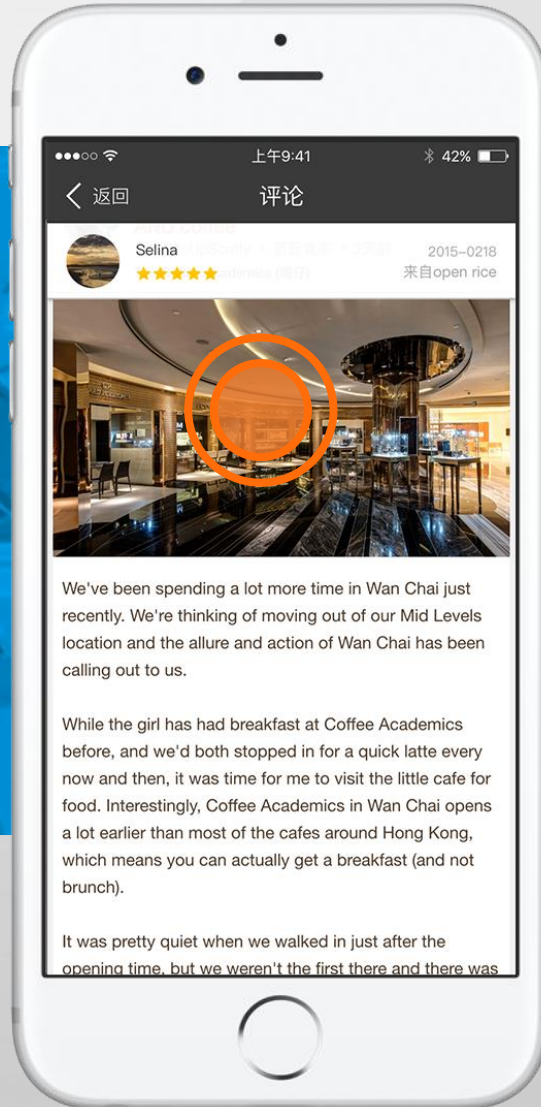
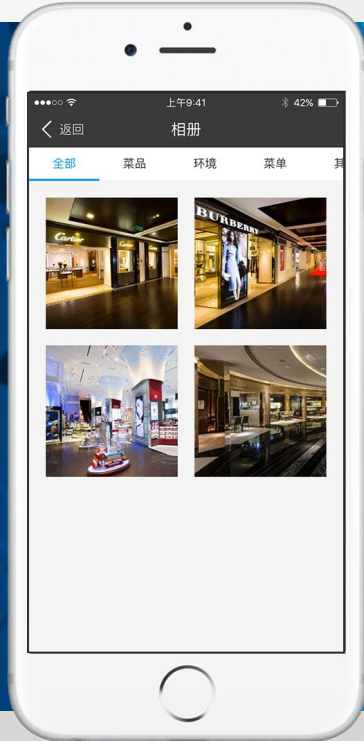
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Alipay and TRAVEL

Pre-trip

Mid-trip

Post-trip



Company info and local users' comments

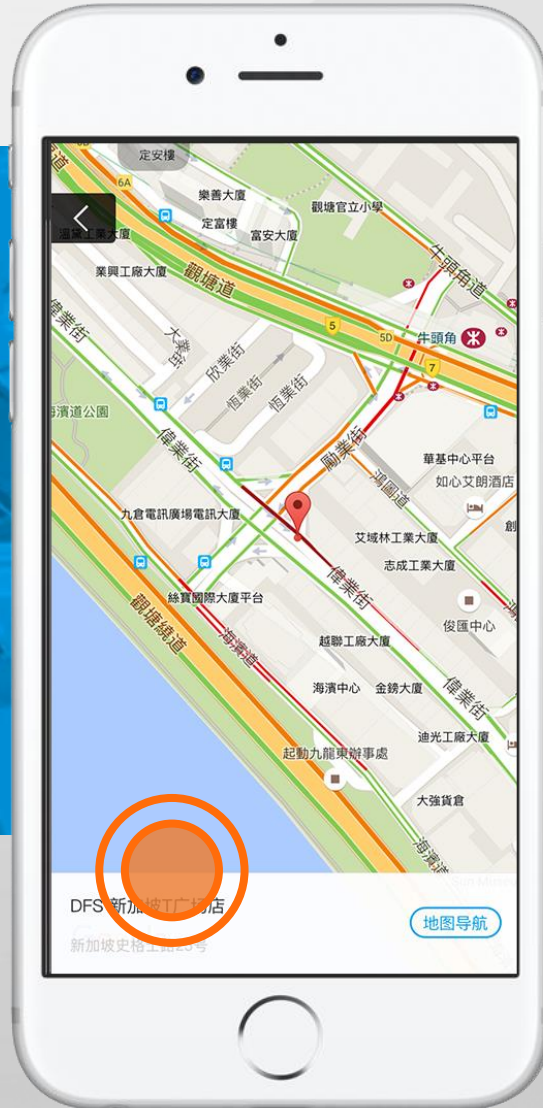
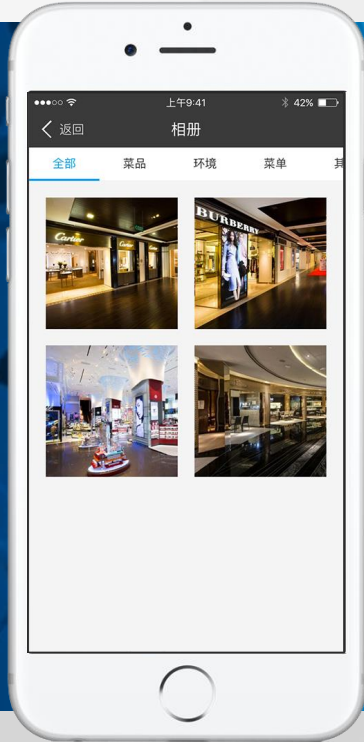
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Alipay and TRAVEL



Pre-trip

Mid-trip

Post-trip

Chinese language
directions

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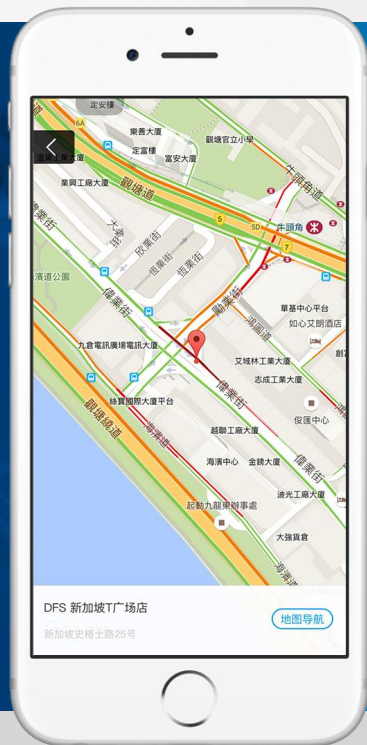
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Alipay and TRAVEL

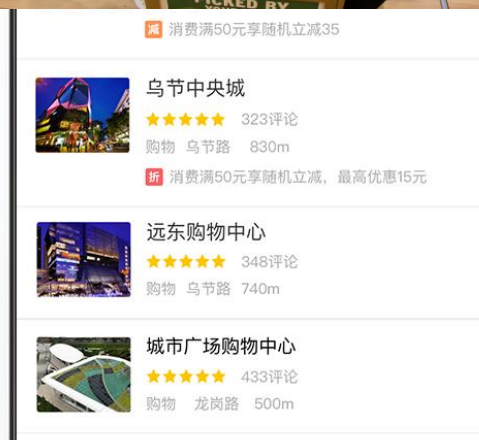
Pre-trip

Mid-trip

Post-trip



Coupons and offers



 **Alipay**

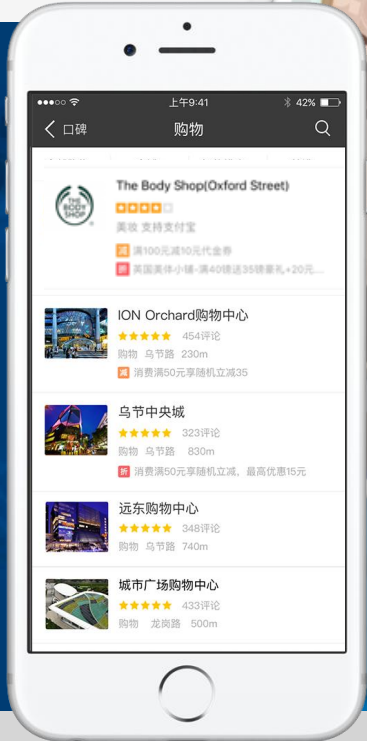
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Alipay and TRAVEL

Pre-trip

Mid-trip

Post-trip



Transactions up **600%**
Average order size **+10%**

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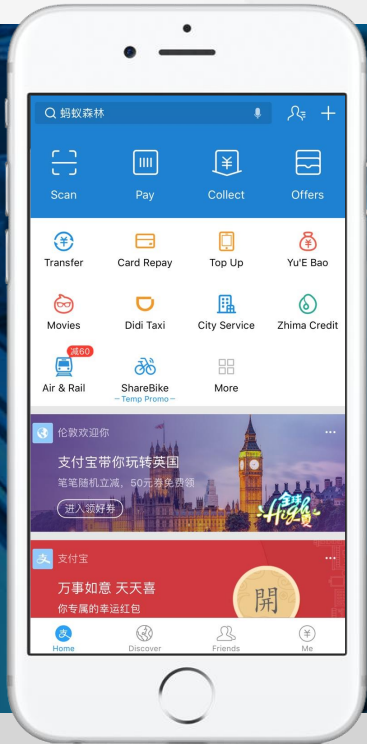
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Alipay and TRAVEL

Pre-trip

Mid-trip

Post-trip



Integrated tax refund

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Alipay and TRAVEL

WHY ACCEPT ALIPAY?

Customers **love it**
It's a platform
It's economical



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How it WORKS

FRONT END

CONSUMER
SCANS



MERCHANT
SCANS



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How it WORKS

BACK END

STAND ALONE
READERS



INTEGRATED
INTO POS



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Technology & Regulations

China's giant money-market fund sharply lowers daily withdrawal limits

May 14, 2018 | **THE WALL STREET JOURNAL**

Ant Financial's Zhima Credit to stop serving unlicensed partners

February 12, 2018 | **Caixin**

China's got Jack Ma's finance giant in its crosshairs

May 7, 2018 | **Bloomberg**

Tencent calls off China-wide test of credit scoring system

February 1, 2018 | **THE WALL STREET JOURNAL**

Alipay's owner apologizes for automatic credit system enrollment

January 4, 2018 | **Caixin**

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Continued Innovation

PAYMENTS PROCESSING & NETWORKS



MOBILE WALLETS & REMITTANCES



RETAIL INVESTING & SECONDARY MARKETS



FINANCIAL SERVICES & AUTOMATION



CAPITAL MARKETS & INSTITUTIONAL TRADING



CORE BANKING & INFRASTRUCTURE



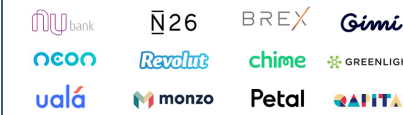
WEALTH MANAGEMENT



PERSONAL FINANCE & SAVINGS



DIGITAL BANKING



THE FINTECH 250

by CBINSIGHTS

MORTGAGE LENDING



REAL ESTATE INVESTING



REGULATORY & COMPLIANCE



INSURANCE



PAYROLL & BENEFITS



CREDIT SCORE & ANALYTICS



GENERAL LENDING & MARKETPLACES



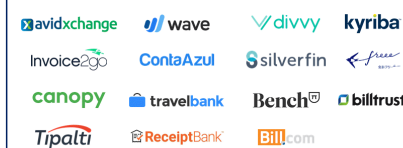
POINT-OF-SALE & PERSONAL LENDING



BUSINESS LENDING & FINANCING



ACCOUNTING & FINANCE



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What's Next

In the next 10 years,
Distribution + Data =
massive advantage as new
opportunities emerge



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Innovation in Offline

From ordering at Starbucks' 2,800 China locations...



...to getting groceries delivered **while you're shopping at Alibaba's Hema supermarket...**



...to self-service WeChat and facial scan payments at Carrefour 'smart stores'



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Thank you!



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