

GMO RESEARCH

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Mobile payment in Asia:

Challenges and Opportunities

About This Paper

In the last and final part of this white paper, we look at challenges faced by the mobile payment industry in Asia, as well as potential for further expansion in an already booming market.

This paper examines the market for mobile payment in Asia. Mobile payment is the ability to make payments using a portable electronic device such as a mobile phone – a service which is becoming increasingly in demand in the modern digital world. The findings presented in this paper come from a survey conducted by GMO Research (GMOR) in 2018, and they provide insight into this dynamic and ever-changing market and the challenges and opportunities it will face in the future.

This paper is presented in three parts. In the first part we examined the current state of mobile payment in Asia, drawing comparisons between Asia and the rest of the world, and between different countries within the region. This section also examined the demographics of Asian mobile users.

In the second part we looked at user preferences, including the most popular uses for mobile payment, the preferred mobile payment apps by country, and the level of competition posed by other forms of payment.

In this third part we will lay out the challenges and opportunities related to mobile payment in Asia. This includes the most significant reasons behind resistance to mobile payment, and the potentially enormous market available to companies who are able to overcome consumers' concerns.



Hurdles To Overcome

While it is clear that mobile payment will be a force to be reckoned with going forward, some challenges remain which will have to be addressed by anybody looking to take part in this growing industry.

First, there is still a significant unbanked population in Asia. Despite leading the way in mobile payment, China has the most unbanked people in the world (225 million), and India has the second most (190 million).¹⁴ There are very large unbanked populations in Southeast Asia too: research shows that only 27% of people living in the region own a bank account.¹⁵ For unbanked individuals, all financial activities revolve around cash, but this could prove to be a promising opportunity for mobile payment, which is able

to imitate the quick and easy nature of cash payments, and thus may hold more appeal for unbanked individuals than traditional banking.

Second, mobile payment relies on good infrastructure in terms of mobile phones and internet connection. In many parts of Asia this infrastructure is unreliable, and is therefore a deterrent to the adoption of mobile payment. However, mobile use is on the rise: around 75% of Asian consumers now use smartphones.¹⁶ Also, most Asian markets are classified as 'emerging',¹⁷ meaning that the economy is changing rapidly and the population is willing to embrace new technology, so further efforts to improve infrastructure could reap large rewards.

Consumers' Worries

It is important to consider what is causing resistance to mobile payment among consumers, in order to better address their needs. GMOR's survey pinpointed some of the major obstacles that are currently keeping people from using these services (Figure 7).

The two biggest areas of resistance are preference for cash (the top is-

sue in the Philippines, Indonesia and Thailand) and concerns about online security (the top issue in India, Malaysia and China). Other problems include a lack of mobile payment apps on users' devices, lack of knowledge about how to use these apps, and lack of vendors who accept mobile payment. The main focus for those looking to



promote mobile payment, therefore, should be to provide clear information about the service, both to make the transition from cash as

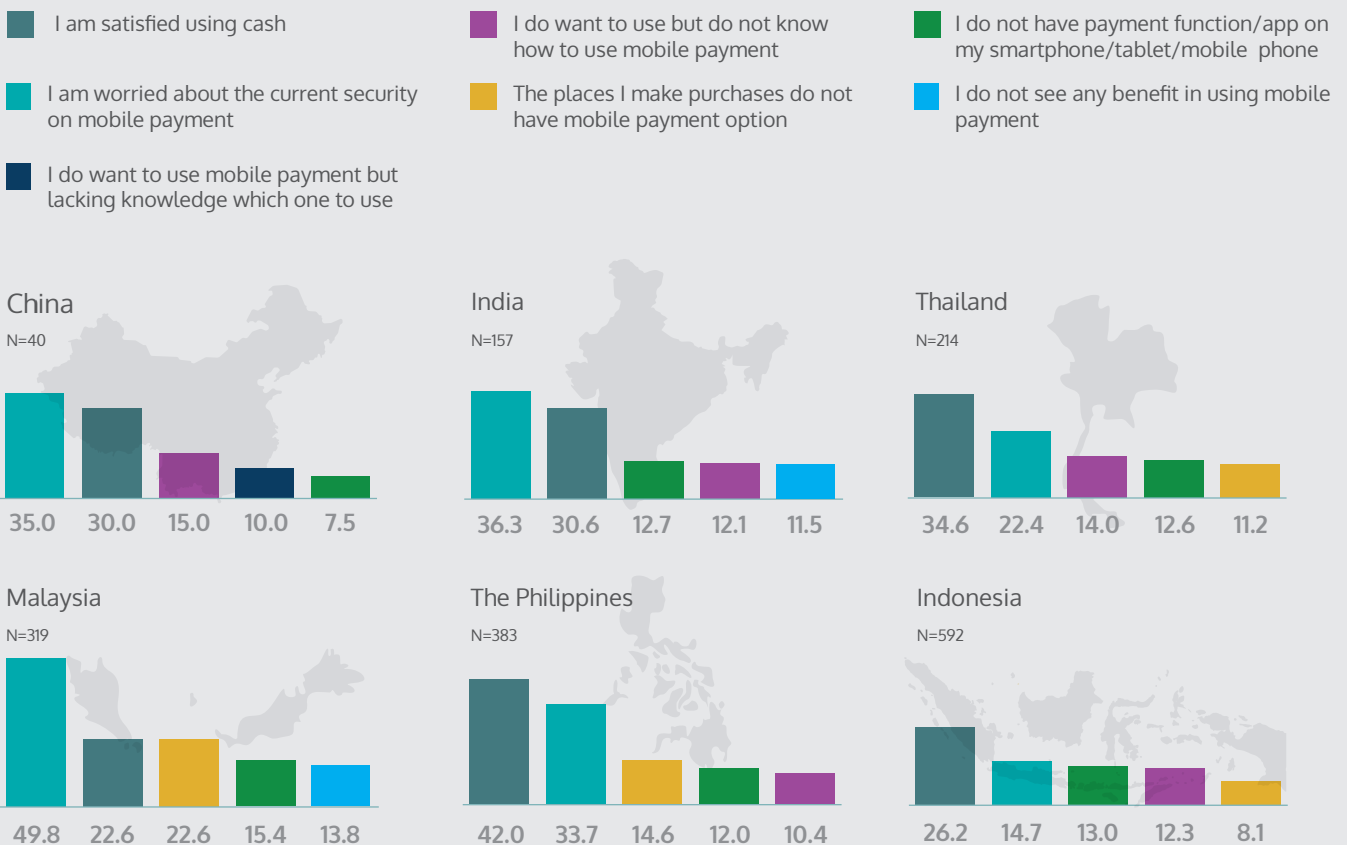
simple as possible and to reassure consumers that their data will be handled in a secure manner.

The Waiting Market

If these concerns are addressed, the potential market for mobile payment is tremendous. In all the

countries surveyed, a significant majority said they would adopt mobile payment if their worries

Figure 7:
Resistance towards mobile payment with cross-country comparison (in %)
What Is The Reason Why You Do Not Use Mobile Payment? TOP 5



Source: GMOR survey "Mobile Payment Asia" 2018
Base: Respondents who do NOT use mobile payment (MA)

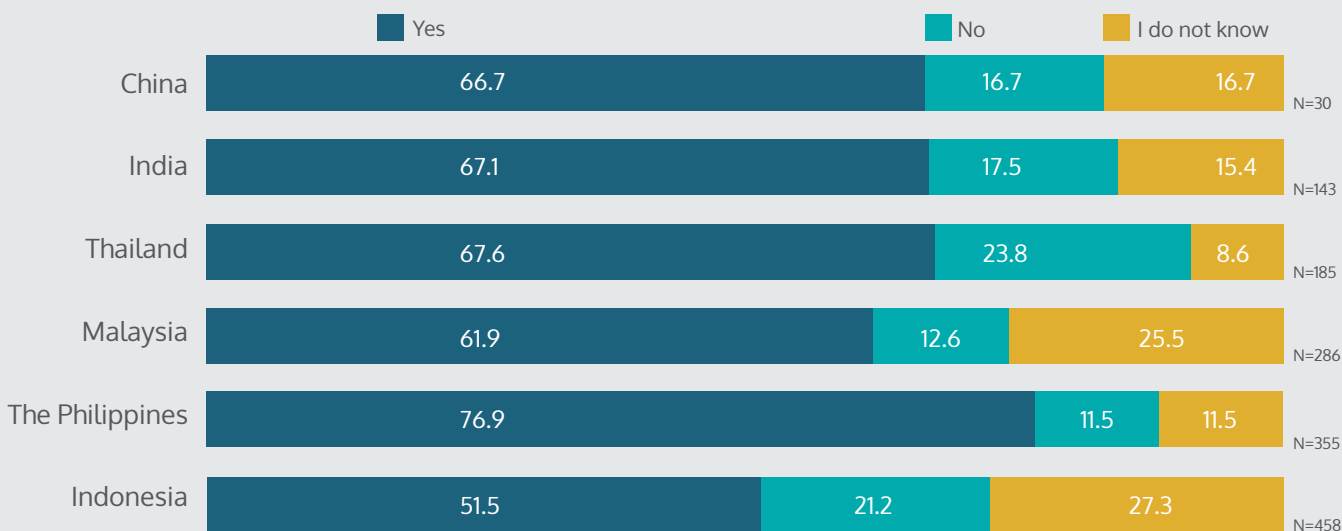


were resolved (Figure 8). The most willing market for this is the Philippines, where an impressive 76.9% of respondents expressed such an interest.

One of the most important ways to resolve concerns about security is 'tokenization'.¹⁸ This protects digital wallets across all methods of mobile payment by replacing the customer's account number with a unique 'token' that is limited to a particular device, transaction type, recipient, etc. The restricted token – rather than the customer's bank details – is then passed through wireless networks to complete a transaction, thus protecting against

fraud and data breaches. In nearly all the countries surveyed, most people had not heard of tokenization (Figure 9). The only exception was China, where 52.9% of respondents had heard about it. For several countries, roughly half the population knew what tokenization was, but the most dramatic splits were in Malaysia (68.2% did not know) and the Philippines (71.1%). These are important mobile payment markets, so some education about tokenization could set consumers' minds at rest regarding security.

Figure 8: Potential for adoption if concerns are addressed, with cross-country comparison (in%)
If All The Obstacles/Worries Mentioned At Q10 Is Resolved, Would You Be Interested In Using Mobile Payment?



Source: GMOR survey "Mobile Payment Asia" 2018
Base: Respondents who do NOT use mobile payment AND have specific reasons for doing so. (SA)



What Consumers Want

Through GMOR’s survey, consumers created a ‘wish list’ of mobile payment services they would like to use in the future (Figure 10). For some services, the systems are already in place – for example, Figure 5 demonstrates that a majority of mobile payment users in India and China currently use it for phone/internet bills, and this also appeared in the top three desired services for these countries.

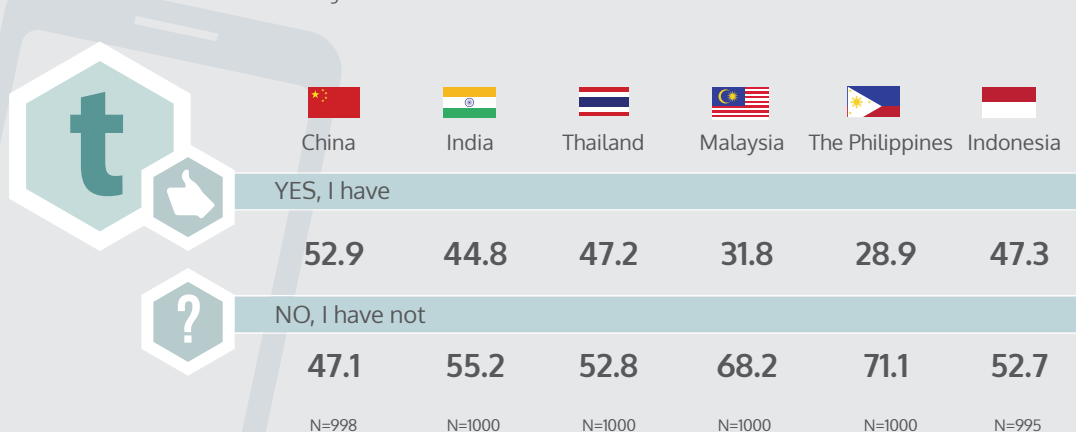
However, consumers’ needs are not always being met, and there are clear opportunities for those wishing to expand the existing scope of mobile payment. For instance, in Malaysia, consumers would like to use mobile payment for food and drinks at restaurants

and bars (46.5%). Similarly, the Philippines would like more opportunities to pay for groceries with mobile (44.7%).

In some cases, respondents are looking for opportunities that either do not currently exist or have limited usage. A top priority in China is to use mobile payment for train, subway or bus tickets (55.5%) – although it’s worth noting that Alipay has begun to expand its services into public transportation in more than fifty Chinese cities⁹ – while Thai respondents would like to pay for medical bills on mobile (30.0%). All of these areas represent possible markets for mobile payment growth

Figure 9:
Exposure to tokenization as a security measure (in %)
Have you heard of this technology before?

Tokenization is a process of protecting sensitive data by replacing your card details with a series of randomly generated numbers (the token). If your phone/device contains a token, none of these apps have access to your credit card/bank details. Your card/bank information is locked down and meaningless to fraudsters.



Source: GMOR survey "Mobile Payment Asia" 2018
Base: All respondents (SA)

Looking Ahead To A Thriving Digital Market








In the rapidly growing, tech-friendly Asia-Pacific economies, the use of mobile payment is increasing, and there is a significant demand for more. Smartphone penetration continues to be on the rise and coupled with a huge unbanked population, the region exhibits high growth potential for alternative payments such as digital wallets and mobile transactions. While certain markets (i.e. India and China) are already dominated by mobile payment app

giants, there are many more countries where potential for growth is tremendous as there is a large population of users with the desire to use mobile payment apps. As long as app providers can overcome consumers' concerns about security and ease of use, and ensure a solid foundation of digital infrastructure, then mobile payment will continue to boom in Asia-Pacific and extend its reach into vast new markets.

Figure 10:

Wish list for future mobile payment usage by country (in %)

On What Payment Occasions Do You Wish To Use Mobile Payment In The Future?

	China	India	Thailand	Malaysia	The Philippines	Indonesia
 Phone/ Internet	55.7	59.3	32.7	39.6	36.8	31.3
 Electricity Water/Gas	57.0	56.3	30.5	39.6	39.1	30.5
 Food & Drinks (Restaurant, Bar, Cafe, Fast Food, etc)	49.4	54.8	29.6	46.5	39.7	26.1
 Groceries (Mall, Supermarket, Convenience Store, etc)	53.1	54.3	29.1	44.6	44.7	32.8
 Medical Fee (Treatment, Medication, etc)	54.2	38.4	30.0	31.1	33.4	27.0
 Ticketing (Movie, Museum, Sports, etc)	49.0	52.1	22.5	41.7	32.4	20.3
 Train/ Subway/Bus	55.5	47.8	23.7	39.4	25.0	19.4
	N=958	N=843	N=786	N=681	N=617	N=403

Source: GMOR survey "Mobile Payment Asia" 2018
Base: Mobile payment users only
(MA)

About GMO Research

GMO Research can offer you an online research solution platform that allows access to our multi-panel, multi-country online panel network – Asia Cloud Panel. Asia Cloud Panel consists of over 22 million online panelists across 13 APAC countries, ranging from consumers to CEOs, and we are constantly expanding our reach both in Asia and globally.

GMO Research is also part of and is backed by GMO Internet Group, one of the largest Internet conglomerates in Japan, specializing in a number of Internet-related technologies, including web infrastructure and e-commerce, Internet media, Internet securities and social media and smartphone platforms. GMO Internet Group has the number one Japanese market share in Internet security, payment processing, e-commerce solutions, web hosting, domain and FX trading.

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