

2019 NEW TRENDS FOR MOBILE PAYMENT IN CHINESE OUTBOUND TOURISM



PREFACE

In 2019, the Chinese outbound tourism market has witnessed stable growth. The latest data from the China Tourism Academy shows that the outbound tourism market totaled about 81.3 million trips in the first half of 2019, up 14% year-on-year. With continuous economic growth, easier access to visas, more direct routes and other tourism facilities, outbound tourism has penetrated the lower-tier markets.

The upgrade in tourism consumption demands from lower-tier markets is also becoming increasingly prominent. Upgraded consumption is no longer dominated by young pioneering tourists in Tier 1 cities; while tourists in Tier 2 and 3 cities, as important growth drivers of the outbound tourism market, have become forces to be reckoned with in this new wave of consumption upgrade. Thus, to gain insights and deep dive into the Chinese outbound tourism market, one of our focuses in this report is to explore trends in outbound travels from lower-tier markets.

Chinese tourists are also driving the development of Chinese mobile payment overseas. As a global leader in mobile payment, China has seen continuous development of its mobile payment industry in recent years, fueling the growth of the mobile payment market for outbound tourism while taking the market to the next stage. On the one hand, the Chinese mobile payment market has maintained a stable growing trend in terms of consumer base; and on the other hand, on the supply side, local merchants, as a crucial part of local ecosystems in outbound tourism destinations, are subject to emerging waves and opportunities of new retail models and digitalized operations.

The *2019 New Trends for Mobile Payment in Chinese Outbound Tourism* whitepaper, further taps into the development and transformation of Chinese mobile payment in outbound tourism markets. Similar to its predecessors, this report will continue to focus on Chinese tourists and overseas merchants, the two key participants of Chinese mobile payment ecosystem, as well as the attitudes and views of both sides towards Chinese mobile payment, in an attempt to figure out the status quo and application trends of Chinese mobile payment systems. In terms of retail, we will reveal the benefits that overseas retails have achieved with the aid of Chinese mobile payment, explore innovative cooperation models between local merchants and Chinese mobile payment providers, and share our insights into the ongoing changes in the outbound tourism market and future trends.

Respondents in this survey fall into two categories. The first is Chinese tourists who traveled abroad in 2019 and have a plan for outbound travels in the following year (totaling 4,837 aged between 20 and 50 from Tier 1, 2, & 3 cities in China). The second category is merchants in popular tourist spots in the U.K., Singapore and South Korea supporting Chinese mobile payment (we interviewed store owners and cashiers in a total of 547 merchants).

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Note1: Lower-tier cities here refers to Tier 2 and Tier 3 in China, such as Tianjin, Nanjing, Jilin, Zaozhuang

FIVE HIGHLIGHTS

I. INCREASED CHINESE OUTBOUND TOURISM FROM LOWER-TIER CITIES

Chinese outbound tourism is a growing trend. Indeed, there is an ever-growing number of tourists who hail from China's lower-tier cities. The gap between residents of second-and third-tier cities and those from first-tier cities is rapidly narrowing in terms of per capita outbound destinations, travel expenditure, and forward-looking travel budget.

On per capita outbound destinations, the difference between residents in third-tier and first-tier cities narrowed from 0.7 in 2018 to 0.5 in 2019, while there was virtually no difference between those in second-tier and first-tier cities. In terms of per capita annual overseas travel expenditure, the difference between residents in third-tier and first-tier cities significantly dropped from USD 1,724¹ in 2018 to USD 606 in 2019. On travel budget for the coming year, the gap between residents in third-tier and first-tier cities shrank sharply from USD 1,859 in 2018 to USD 614 in 2019.

The survey also found that Chinese tourists from lower-tier cities had more definite future travel plans. 58% of surveyed tourists from third-tier cities said they had made definite overseas travel plans in the coming year, an increase of 20% compared with 2018.

2. TRANSACTION VOLUME OF CHINESE MOBILE PAYMENT CONTINUE TO INCREASE

In 2019, while the usage rate² of mobile payment among Chinese tourists remained stable in general, the number of transactions Chinese tourists made via mobile payment platforms continued to increase. On average, Chinese tourists paid via mobile payment 3.4 times out of every 10 payments in 2019, up from 3.2 times in 2018.

The inherent reason for increased usage of China mobile payment lay in the broader coverage of China mobile payment. Consequently, Chinese tourists made a higher proportion of mobile payment when shopping at places such as duty-free stores, large discount retailers, as well as fashion and beauty stores. Chinese tourists' focus on shopping had transformed because of more abundant forms of promotional and marketing activities provided by Chinese mobile payment. Chinese tourists attached more importance to discounts and other special offers for mobile payment than ever before.

3. EUROPEAN MERCHANTS HAVE ACCELERATED THE ADOPTION OF CHINESE MOBILE PAYMENT SOLUTIONS, INCREASING THE WILLINGNESS OF CHINESE TOURISTS TO SPEND

In contrast to Asian tourism markets where Chinese mobile payment solutions were adopted earlier, some European countries are witnessing an acceleration of the acceptance of Chinese mobile payment solutions. Take the U.K. as an example, 61% local merchants adopted Chinese payment solutions since 2019, and since then mobile payment usage among Chinese tourists has risen. In the U.K. and France, the percentage of Chinese tourists who used mobile payments increased to 65% in 2019, with per capita mobile spending rising by about 10%. The improved acceptance of mobile payment solutions

Note1: All spending amounts specified in this survey are in USD, using the average exchange rate in 2019: CNY 1=USD 0.1449.

Note2: The usage rate of mobile payment refers to the proportion of Chinese tourists that used mobile payment during overseas travel.

has also made it possible for Chinese tourists to bring less cash, with data showing that the amount of foreign currency exchanged by Chinese tourists before leaving for Europe in 2019 fell by 16%. 92% of Chinese tourists traveling to Europe said they are more likely to pay with mobile phones if more local merchants supported Chinese mobile payment solutions, and 89% said that they are more likely to shop and spend locally.

4. MOBILE PAYMENT IS MORE THAN PAYMENT. IT FACILITATES THE DIGITAL OPERATIONS OF LOCAL MERCHANTS

Overseas merchants have begun to realize that Chinese mobile payment solutions could facilitate their digital operations and have begun to explore functions beyond payment, including store operation, digital marketing and more. For example, in the U.K., where Chinese mobile payment is increasingly embraced, 88% of merchants surveyed who have used additional services on Chinese payment platforms recognized that these solutions helped market their stores, and 63% believed that mobile payment and related services improved the efficiency of store management. The services provided by Chinese mobile payment platforms effectively helped overseas merchants improve end-to-end digital operations before, during and after payment. Nearly 70% of the U.K. merchants surveyed have begun utilizing services beyond payment on Alipay. 82% witnessed an increase in sales and customer traffic after connecting to the Chinese mobile payment platforms.

The integration of online and offline retail with a more digitized operation has further enhanced the consumer experience for Chinese tourists when traveling overseas and has resulted in a new experience for overseas merchants in their digital transformation.

5. MOVING FORWARD, MORE OVERSEAS MERCHANTS MAY DEEPEN THEIR USE OF CHINESE MOBILE PAYMENT PLATFORMS TO GO DIGITAL

As the mobile payment environment for overseas travel increasingly matures and understanding of Chinese mobile payment solutions deepens, overseas merchants are showing a more open attitude towards the application of Chinese mobile payment platforms and digital operations. Among merchants in the U.K., South Korea and Singapore, when it comes to their future store operation and management, 66% of surveyed merchants hope to carry out more digital store operations through Chinese mobile payment, and 66% of them hope to further store promotional and marketing activities leveraging Chinese mobile payment platforms.

Innovations in digital store operation and promotion have also led to a relatively high willingness among overseas merchants to recommend Chinese mobile payment to peers. Integrated in Alibaba's ecosystem, Alipay helped merchants realize traffic monetization from both online and offline channels, which is appealing to regions that have embraced Chinese mobile payments. 78% of the U.K. merchants surveyed said that they are likely to recommend Alipay to their industry peers in the future, especially utilizing digital exploration to improve efficiency and turnover.



TOP TRAVEL DESTINATIONS FOR CHINESE TOURISTS

I. TOP 10 OVERSEAS DESTINATIONS IN 2019

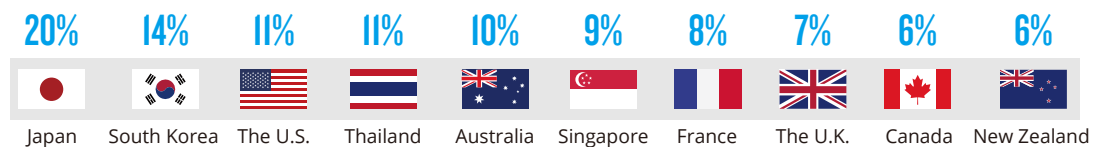
In 2019, destinations within a four-hour flight are still the most popular choices for Chinese tourists. They are continuously enthusiastic on visiting Japan, South Korea, Thailand and Singapore. In addition, the U.S., Australia, the U.K. and Canada are also among the top 10 countries, which indicates that Chinese tourists are fairly keen on traveling to English-speaking countries.

Beautiful natural scenic spots, unique cultural and historical landscapes, theme parks and leisure attractions in countries such as Japan, South Korea, Thailand and Singapore, greatly appeal to Chinese tourists.

Chinese tourists traveling to these countries are characterized by high frequency and preference for in-depth exploration. Cities such as Tokyo, Osaka and Kyoto in Japan, and Seoul, Jeju Island and Busan in South Korea are popular tourist destinations for Chinese tourists. Meanwhile, in Japan, man-made landscapes and ecological landscapes, such as Tokyo Disneyland, Tokyo Tower, Ginza, Nara Park, and Mount Fuji, meet the diverse needs of tourists. Nearly half (46%) of tourists who visited Japan in 2019 expressed that they intended to make another in 2020, and about 30% of those who visited South Korea and Singapore hold the same opinion (29% and 31% respectively).

Turkey rose to the top 20 destinations for Chinese tourists for the first time in 2019. Overseas travel destinations once thought to be favored only by tourists born in the 1990s have gradually gained popularity among other age groups because of promotion by various platforms.

TOP 10 OVERSEAS DESTINATIONS IN 2019



Source: Nielsen

2. TOP 10 COUNTRIES WHERE CHINESE TOURISTS LOVE TO USE MOBILE PAYMENT

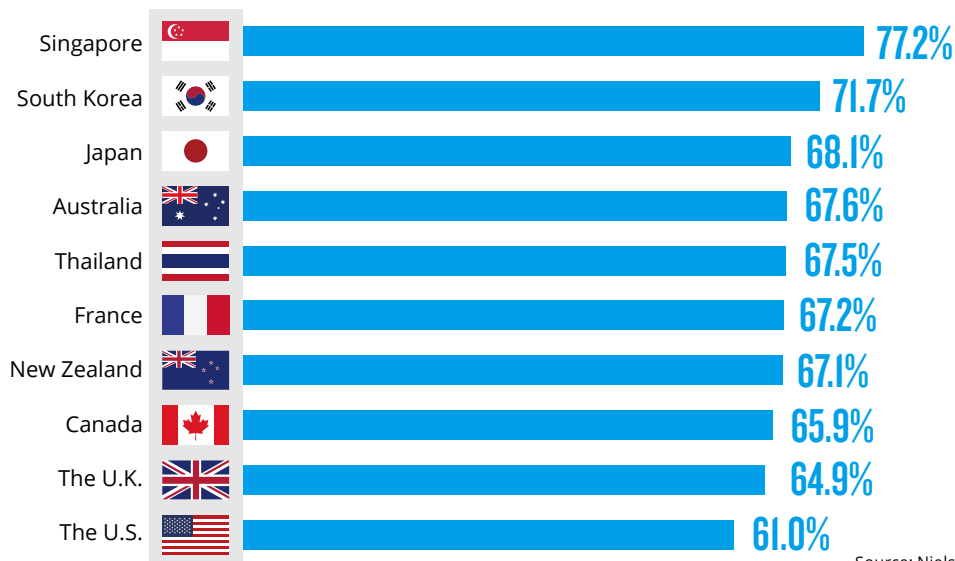
The popular preference of Chinese tourists for overseas destinations has influenced the growing pace of Chinese mobile payment overseas. It is seen from the statistics that the ranking of popular overseas destinations among Chinese tourists highly overlaps with that of countries that support Chinese mobile payment.

Among the countries that provide mobile payment access to Chinese tourists, Singapore, South Korea and Japan enjoyed a higher frequency of usage.

Back to 2015, Singapore, South Korea and Japan were among the first batch of countries to adopt Chinese mobile payment solutions to provide convenience to Chinese tourists. Furthermore, e-payments were listed as one of the strategic national projects in Singapore government's 10-year plan for a Smart Nation by 2025. In 2018, Japan approved a plan for a Cashless Vision. Evidently, the cashless landscape in East and South Asian countries has begun to take shape. Under mobile payment user-friendly environment, Chinese tourists are more accustomed to using mobile payment in Singapore, South Korea and Japan.

Australia is not only one of the major settlements for overseas Chinese, but also a primary outbound destination for Chinese tourists. Mobile payment also has a high penetration rate in Sydney and Melbourne, two major tourist cities in Australia.

TOP 10 COUNTRIES WHERE CHINESE TOURISTS LOVE TO USE MOBILE PAYMENTS¹



Source: Nielsen

In the past few years, Chinese tourists traveled to distant destinations more frequently, such as Australia. As a result, local merchants have gradually gained a rich experience in Chinese mobile payment solutions and formed a more vibrant environment for mobile payment, which facilitates Chinese tourists.

Note1: Ranking determined by the proportion of Chinese tourists that used mobile payment in a specific country in 2019

3. TOP 10 FUTURE DESTINATIONS FOR 2020

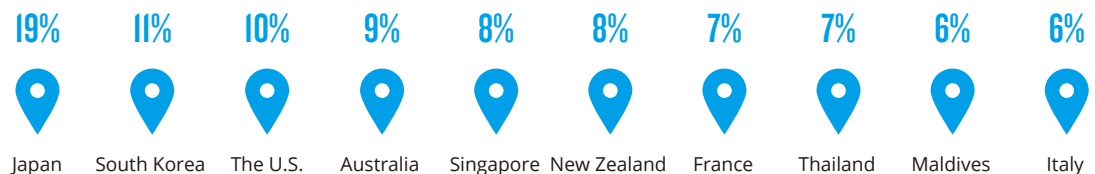
By comparing the top 10 popular outbound destinations in 2019 and the planned outbound travel destinations in the coming year, we find that Chinese tourists are keen to travel to Japan, South Korea, Singapore, and Thailand that are within a four-hour travel, which is highly consistent with countries enjoying high usage of mobile payment.

Chinese tourists are, however, not satisfied with closer destinations. They consider traveling to more distant destinations within an eight-hour flight. Among these countries, the preference of Australia and New Zealand increases significantly.

With higher demands from Chinese tourists for high-quality and experience-oriented overseas travel, Australia and New Zealand attract more Chinese tourists through their picturesque natural scenery and unique experience featured by opposite seasons between the southern and northern hemisphere. Also, the popularity of self-drive tours and the desire to get away from the hustle and bustle held appeal for Chinese tourists, rankings of "The Most Scenic Roads" attracted self-drive and photography enthusiasts alike.

More European countries, such as the U.K., Germany, Switzerland and Spain, are now popular destinations considered by Chinese tourists for their future travels. Brazil and Mexico in South America also attract more Chinese tourists to visit. This shows that once unexplored destinations by Chinese tourists have the potential to gradually become mainstream options with their unique cultures.

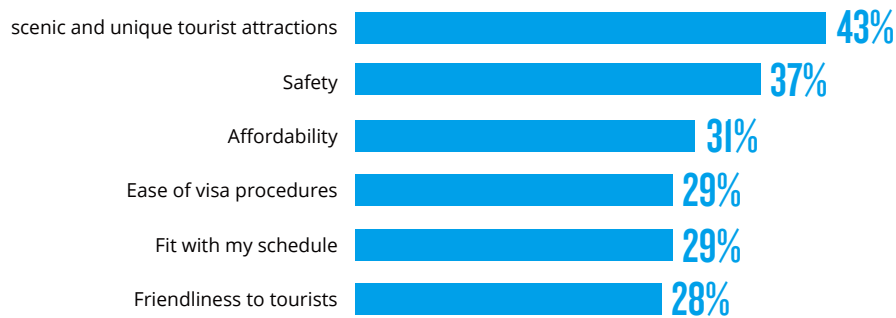
TOP 10 COUNTRIES FOR OVERSEAS TRAVEL PLANS IN 2020



Source: Nielsen

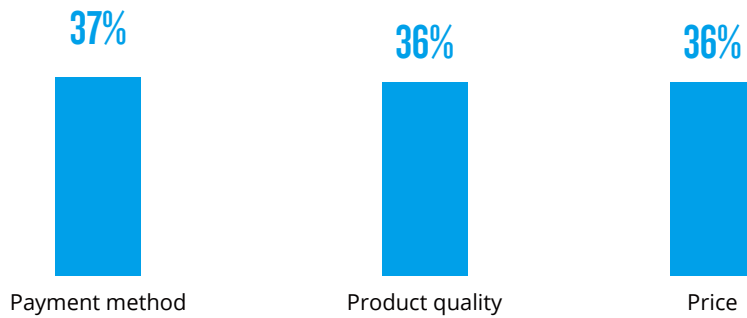
Interestingly, the willingness to travel to countries with the highest mobile payment usage, such as Australia and New Zealand in future travels continues increasing. As mobile payment becomes increasingly popular among Chinese tourists during overseas travel, support for mobile payment has become one of the factors for Chinese tourists when choosing travel destinations.

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



Source: Nielsen

FACTORS AFFECTING TOURISTS' OVERSEAS SHOPPING HABITS (TOP 3)



Source: Nielsen



TRENDS IN CHINESE TRAVEL AND CONSUMPTION OVERSEAS

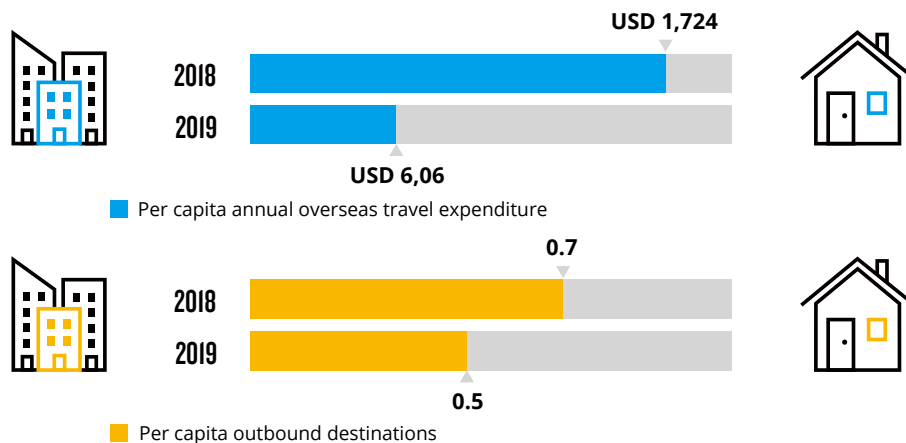
I. LOWER-TIER CITIES PROVIDE MORE DRIVING FORCE IN CHINESE OUTBOUND TOURISM MARKET

In 2019, Chinese outbound travels have seen significant growth in lower-tier cities. One reflected in overseas travels becoming increasingly common among tourists from non-tier 1 cities, the other reflected the growth in in-depth tourism.

TIER 2 AND TIER 3 CITIES ARE CATCHING UP WITH TIER 1 CITIES

On per capita outbound destinations, the difference between residents in third-tier and first-tier cities narrowed from 0.7 in 2018 to 0.5 in 2019, while there was virtually no difference between those in Tier 2 and Tier 1 cities. In terms of per capita annual overseas travel expenditure, the difference between residents in Tier 3 and Tier 1 cities significantly dropped from USD 1,724 in 2018 to USD 606 in 2019. On travel budget for the coming year, the gap between residents in Tier 3 and Tier 1 cities shrank sharply from USD 1,859 in 2018 to USD 614 in 2019 while the gap between residents in Tier 2 cities and Tier 1 cities shrank from USD 716 to USD 537. These narrowing gaps are mainly due to the general increase in purchasing power and the opening of new routes.

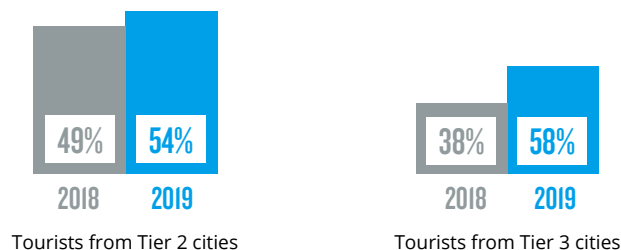
THE GAP BETWEEN CHINESE TOURISTS FROM TIER 3 CITIES VS TIER 1



Source: Nielsen

In addition, Chinese tourists from Tier 2 and Tier 3 usually plan more definitely on future overseas trips. About 58% of Tier 3 Chinese tourists expressed they had made definite travel plans and decisions for their outbound destinations in the coming year, which increases 20% compared with 2018.

THE PROPORTION OF DEFINITE PLANS FOR OUTBOUND TRAVEL IN THE FUTURE



Source: Nielsen

CHINESE TOURISTS FROM TIER 2 AND 3 CITIES OPT FOR MORE DIVERSE AND IN-DEPTH TRAVEL

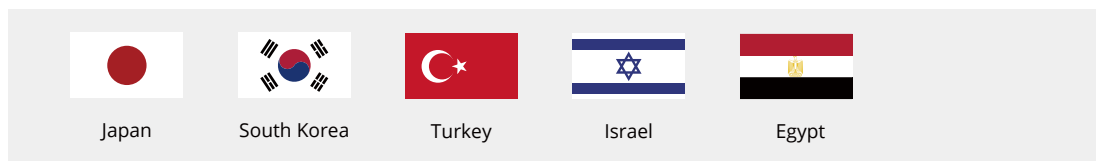
More Tier 3 Chinese tourists traveled abroad in 2019, among whom, 46% visited countries in East Asia or Southeast Asia. Taking nearby countries like Japan and South Korea as examples, the visits by Tier 3 Chinese tourists reached 16% and 13% respectively, which was a significant growth from 11% and 10% in 2018.

In 2019, Tier 2 and Tier 3 Chinese tourists gravitated toward more in-depth experience during their overseas travel. Compared with 2018, more Tier 2 Chinese tourists chose to travel to India (3%), West Asian and North African countries, such as Turkey, Israel, Egypt and Morocco, which were once less popular destinations among Chinese tourists. At the same time, more Tier 3 Chinese tourists chose to travel to West Asian and North African countries, such as Egypt (4%), Turkey (3%) and Israel (2%).

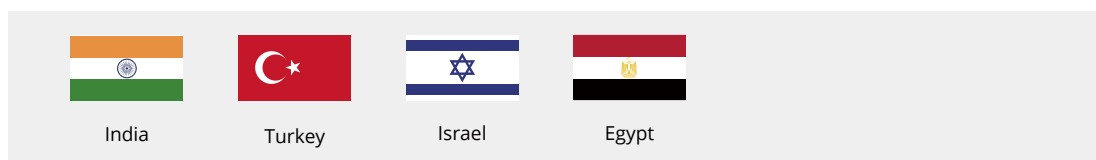
In addition to the willingness of Chinese tourists, their outbound travel behaviors were also influenced by local stimulus in Chinese tourism market. Israel, for example, has sought to explore the Chinese tourism market in the past few years. It launched direct flights with China, established new visa centers, and issued 10-year multiple-entry visas to Chinese tourists. According to Israel's Ministry of Tourism, about 105,000 Chinese tourists visited the country in 2018 (compared to 47,000 tourists in 2015).

DESTINATIONS VISITED BY OUTBOUND CHINESE TOURISTS IN 2019

Destinations with the largest increase in number of Chinese tourists from Tier 2 cities



Destinations with the largest increase in number of Chinese tourists from Tier 3 cities



Source: Nielsen

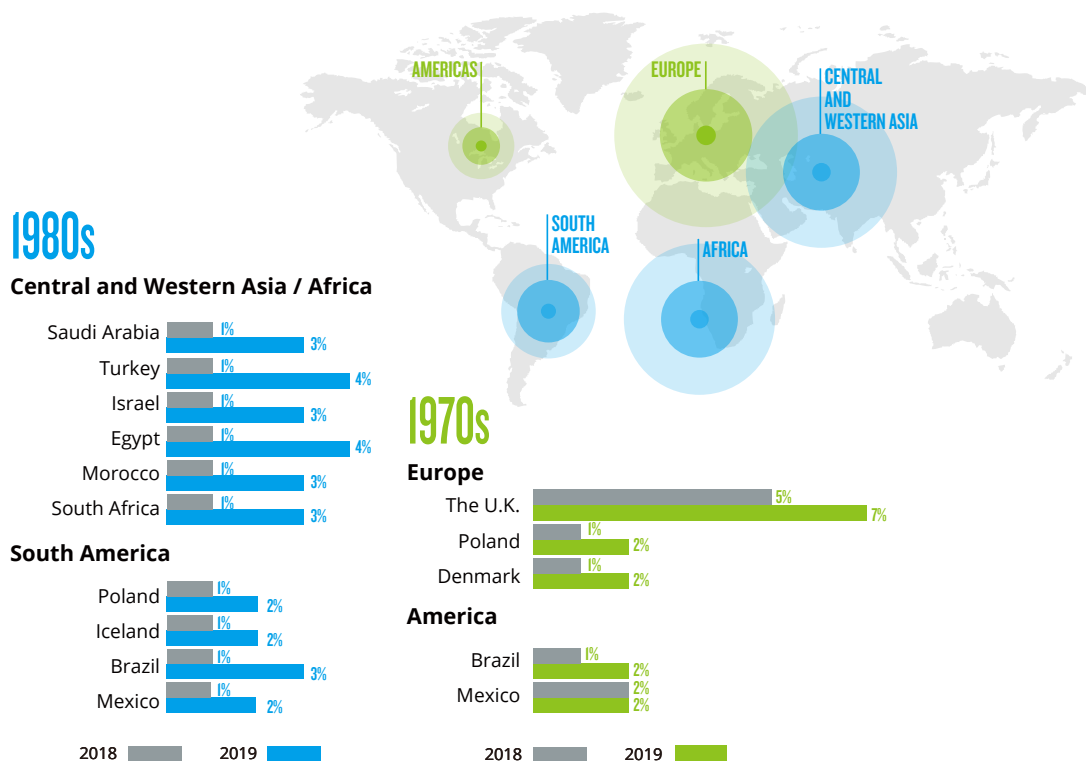
2. NICHE DESTINATIONS GRADUALLY GAINED POPULARITY AMONG ALL AGE GROUPS

Niche destinations in faraway West Asian, Northern European and South American countries where unfamiliar languages are spoken were once only favored by Chinese tourists born in the 1990s. However, in 2019, the popularity of these countries surged significantly among post-80s/70s Chinese tourists.

In 2019, for those who were born in the 1980s, around 10% of them traveled to Central Asia, West Asia and Africa, a sharp surge compared with 2018 (4%). Turkey, Saudi Arabia, Israel, Egypt, Morocco and South Africa were all included in the popular overseas travel destinations among them. More of them chose to travel to South American countries such as Brazil (3%) and Mexico (2%) as well.

The proportion of the 1970s having chosen to travel to Europe and America regions raised. In 2019, nearly 7% of them went to the U.K., witnessed a significant increase over 2018. In addition, about 21% traveled to the America region, and more tourists have even been to Brazil in South America. People born in the 1970s also expect to have a more independent and in-depth local experiences through self-guided tours. In 2019, the proportion of them who took package tours fell, while the proportion of those who went on semi-self-help tour rose slightly.

DESTINATIONS VISITED BY OUTBOUND CHINESE TOURISTS IN 2019

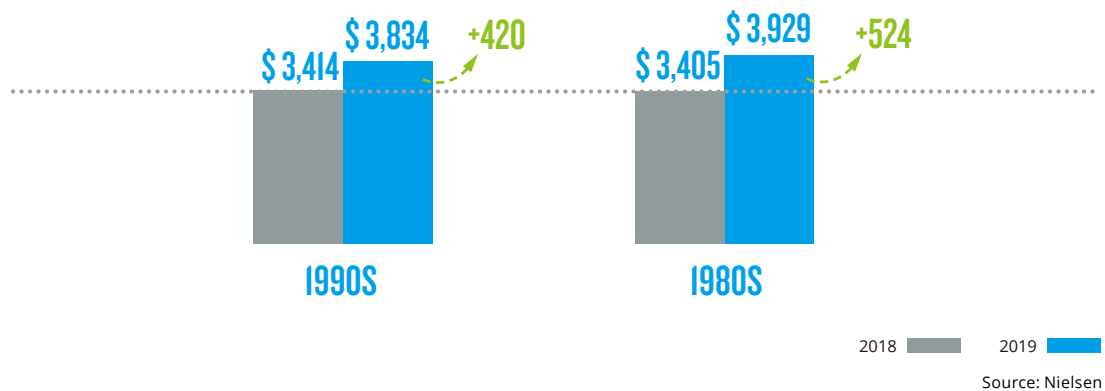


Source: Nielsen

3. YOUNG TOURISTS SPENT MORE ON A SINGLE TRIP

In 2019, compared with 2018, Chinese tourists who were born in the 1990s spent nearly 12% more on a single overseas trip and the proportion for the post-80s generation was 15%. An underlying reason for the increased travel expenditure may have been their in-depth local experiences and exploration of local cultures.

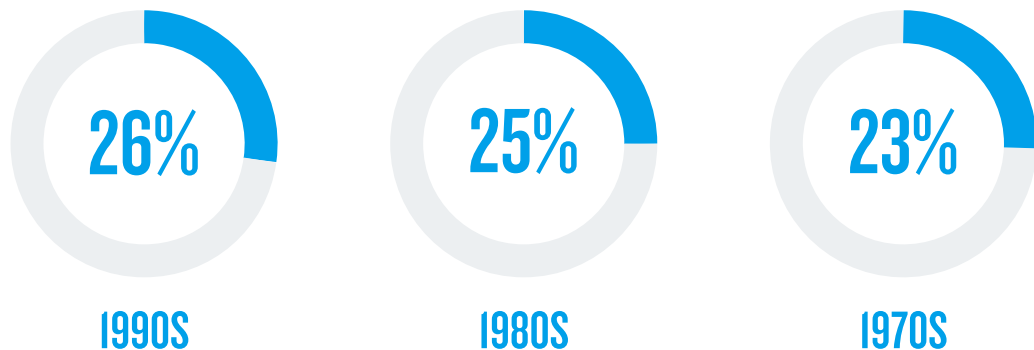
THE AVERAGE ANNUAL SPENDING OF CHINESE TOURISTS



The consumption upgrading of young outbound tourists was reflected in various aspects, such as trip planning, local accommodation, entertainment and leisure. Around 70% of millennials would proactively search for information of local distinctiveness and discounts on the internet even after they reached their travel destinations. More than 50% of those who were born in the 1990s chose to stay at local homestays and B&Bs rather than hotels. In addition, nearly 34% of tourists born in the 1990s attended concerts or stage performances at their travel destinations, while 26% experienced local outdoor sporting activities.

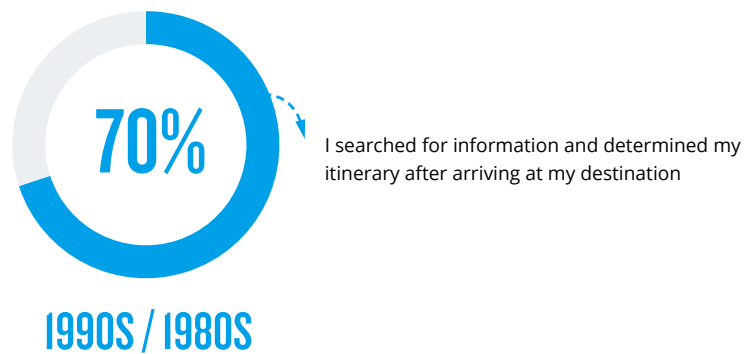
- *Outdoor and sporting activities grew in popularity: tourists born in the 1990s are fond of sports*

THE PROPORTION OF SPENDING ON SPORTS VS ALL ENTERTAINMENT COSTS



Source: Nielsen

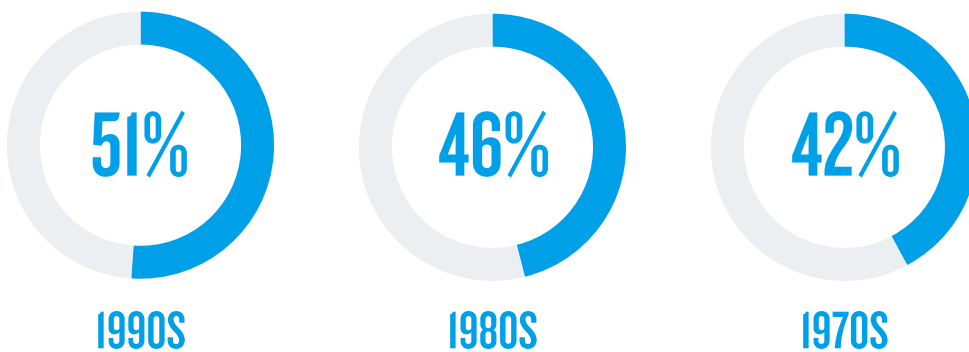
- Some were unwilling to plan their trips in advance. Instead, they enjoyed exploration and being surprised



Source: Nielsen

- Tourists born in the 1990s liked to experience folk-customs, and they preferred to stay at homestays rather than hotels

THE PROPORTION OF SPENDING ON HOMESTAYS VS ALL ACCOMMODATION COSTS



Source: Nielsen



TRENDS IN MOBILE PAYMENT BY CHINESE TOURISTS

I. CHINESE TOURISTS CONTINUE TO USE MORE MOBILE PAYMENT OVERSEAS

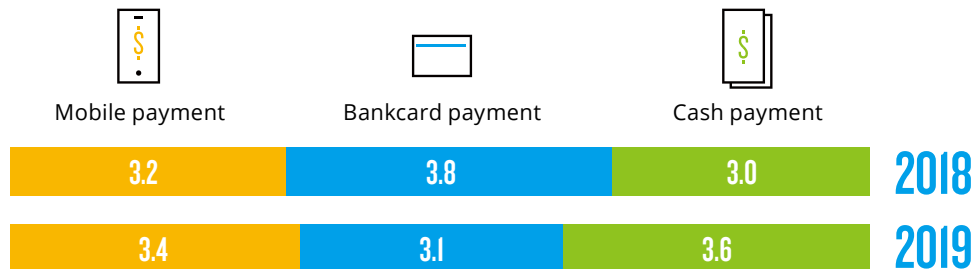
The proportion of Chinese tourists using mobile payment when traveling abroad in 2019 remained stable compared with 2018. Meanwhile, mobile payment engagement level (the proportion of mobile payment transactions by Chinese tourists traveling overseas) and the depth of usage (total spending via mobile payment by Chinese tourists traveling overseas) continued to increase, indicating a more in-depth development in Chinese mobile payment solutions around the world.

INCREASE IN PROPORTION OF MOBILE PAYMENT TRANSACTIONS OF CHINESE TOURISTS

In 2019, 3.4 out of every 10 payments made by each Chinese tourist during overseas travel were mobile payments, with a slight rise against 2018 (3.2 payments), further narrowing the gap between mobile payment and bankcard payment. The engagement of mobile payment of post-90s tourists has increased by 11%.

It is also found that the proportion of cash payment made by Chinese tourists traveling overseas in 2019 increased, which was mainly due to the fact that more Chinese tourists were changing their destinations from the popular East Asian countries to more distant countries or countries where cash is more frequently used.

THE PROPORTION OF PAYMENT TRANSACTIONS BY CHINESE TOURISTS TRAVELING OVERSEAS



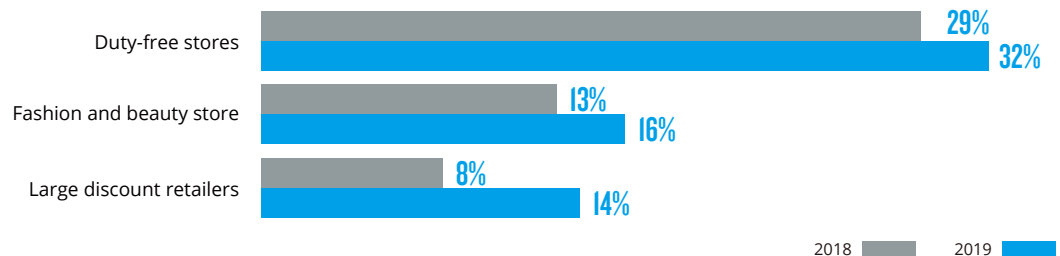
Source: Nielsen

TOTAL SPENDING VIA MOBILE PAYMENT BY CHINESE TOURISTS INCREASED

The total amount of consumption via mobile payment in the destination during tourists' most recent overseas trip increased significantly as well. The per capita total amount of mobile payment made by outbound Chinese tourists increased by 18% compared to 2018. Specifically, the total spending via mobile phone of tourists born in the 1990s increased by more than 35% over 2018.

Through studying consumption scenarios of Chinese tourists when making mobile payment, it is found that Chinese tourists used mobile payment more often when shopping at duty-free stores, large discount retailers, and fashion and beauty stores as well. The high acceptance of Chinese mobile payment solutions in these places had also driven the usage of mobile payment by Chinese tourists.

SHOPPING USE CASES OF MOBILE PAYMENT BY OUTBOUND CHINESE TOURISTS



Source: Nielsen

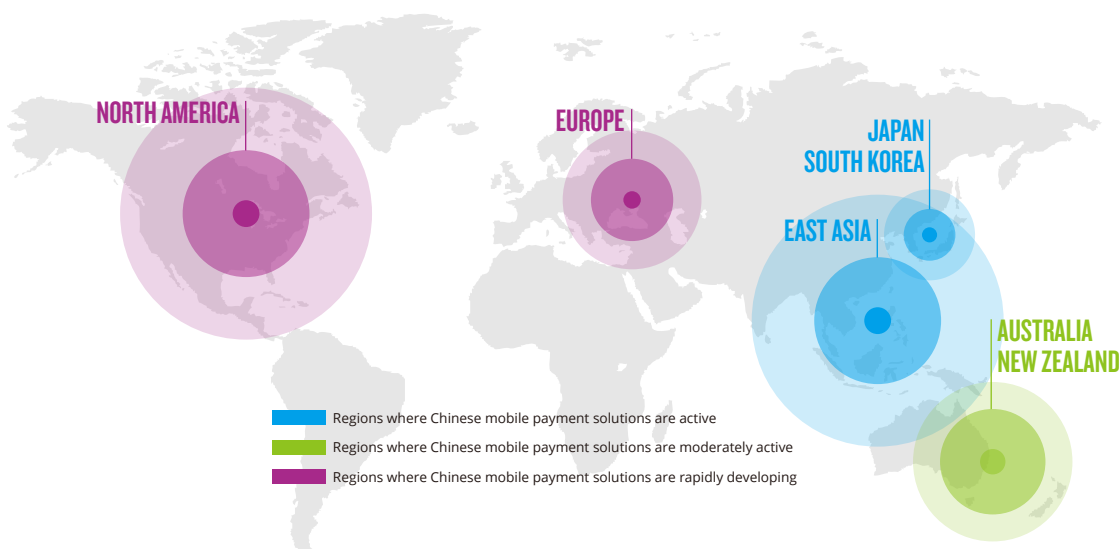
2. REGIONAL DIFFERENCES IN THE ADOPTION OF CHINESE MOBILE PAYMENT

TOTAL SPENDING VIA MOBILE PAYMENT OF CHINESE TOURISTS INCREASED SIGNIFICANTLY IN COUNTRIES WHERE CHINESE MOBILE PAYMENT ADOPTION ARE RELATIVELY MATURE

By analyzing spending via mobile payment by Chinese tourists in 2019 and 2018, different levels of development are found for Chinese mobile development in outbound tourism markets.

For example, in Singapore, Japan and South Korea, the usage rate of mobile payment among Chinese tourists is high, reaching nearly 70% in 2018 and 2019. The in-depth development of Chinese mobile payment in these regions are characterized by the significant increase in the total spending via mobile payment made by Chinese tourists in 2019. For example, the total amount of mobile payment by Chinese tourists in Japan and South Korea increased by about 23% compared with 2018. In Singapore and Thailand, this figure witnessed a 14% rise.

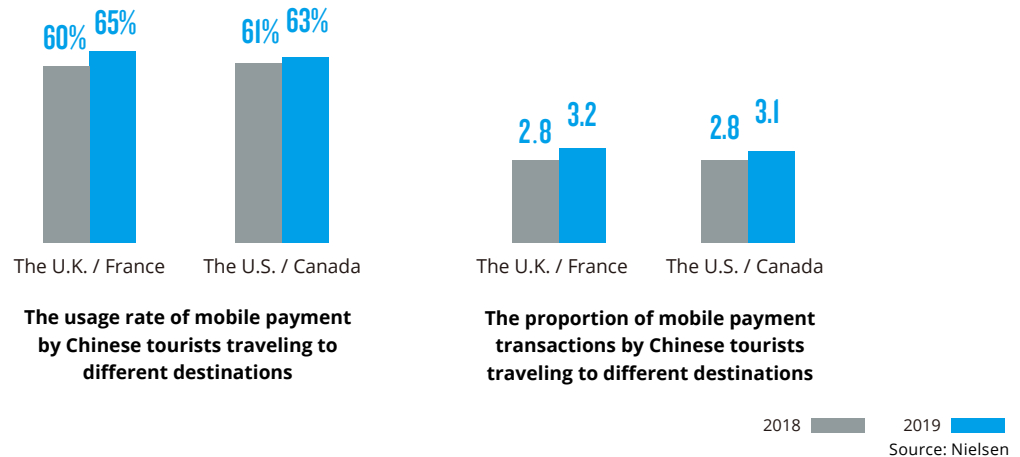
In distant countries that are gradually gaining popularity among Chinese tourists, such as Australia and New Zealand, mobile payment by Chinese tourists also shows an in-depth development. The penetration of mobile payment in Australia and New Zealand was already relatively high in 2018 (68%). In terms of mobile payment used by Chinese tourists in Australia and New Zealand in 2019, the engagement of Chinese tourists reaches 34%, while the total expenditure increased by 15% compared with 2018.



Source: Nielsen

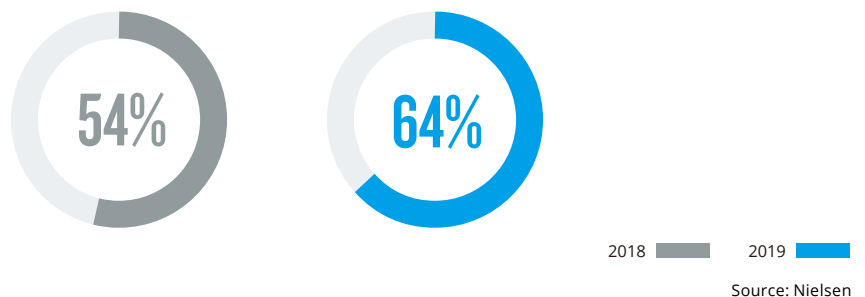
MOBILE PAYMENT BECAME MUCH MORE POPULAR WITH CHINESE TOURISTS IN COUNTRIES WHERE CHINESE MOBILE PAYMENT IS DEVELOPING RAPIDLY

In overseas regions where Chinese tourists did not use mobile payment quite often previously, the adoption of Chinese mobile payment has been growing rapidly. For example, in the U.K. and France, about 60% of Chinese tourists used mobile payment in 2018, but the proportion rose significantly to 65% in 2019. A similar trend occurred in North America. The usage rate of mobile payment among Chinese tourists increased to 63% in 2019, and the proportion of mobile payment transactions also increased from 2.8 out of every 10 payments in 2018 to 3.1 payments in 2019.



The growing popularity of mobile payment in Europe, North America and other regions was due to, on the one hand, the changes in the payment habits of Chinese tourists. It was found that Chinese tourists carried less foreign currency before traveling to Europe, decreasing by 16% in 2019. On the other hand, the wider acceptance of mobile payment by local merchants contributed to Chinese tourists' increasing use of mobile payment. Roughly 64% of Chinese tourists who visited Europe in 2019 mentioned that more local merchants accepted Chinese mobile payment, showing an increase from only 54% in 2018.

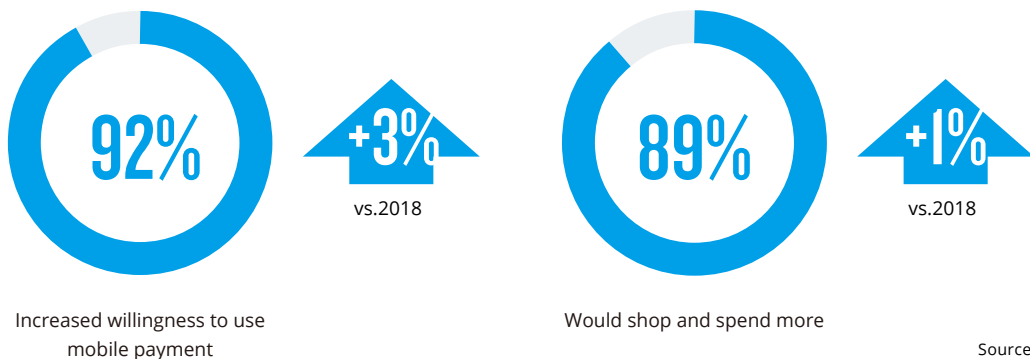
DO YOU FEEL THAT MORE MERCHANTS IN EUROPE ACCEPT MOBILE PAYMENT?



3. CHINESE TOURISTS' SPENDING WILLINGNESS MOTIVATED BY MOBILE PAYMENT

In Europe, the usage rate of mobile payment by Chinese tourists increased rapidly in 2019. Slightly higher than 2018, about 92% of Chinese tourists who visited Europe said that they would probably use mobile payment more often, and about 89% would spend more money, if more overseas merchants accepted mobile payment in the future.

OUTBOUND CHINESE TOURISTS TRAVELING TO EUROPE



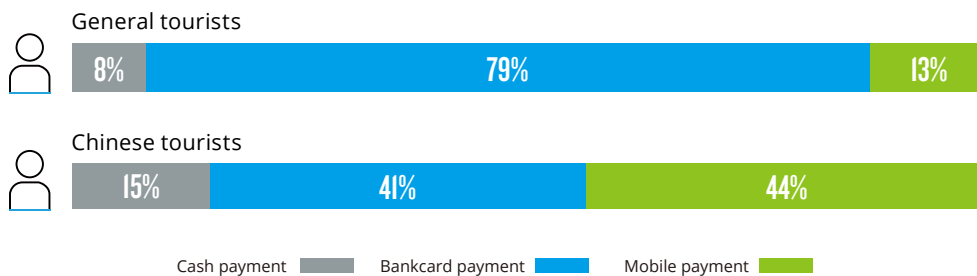


DIGITALIZED OPERATIONS IN THE U.K., SOUTH KOREA AND SINGAPORE

I. THE VIBRANT ATMOSPHERE FOR MOBILE PAYMENT REINFORCED PAYMENT HABITS OF CHINESE TOURISTS

In some popular travel destinations like the U.K., Singapore and South Korea, merchants accepting Chinese mobile payment all find that Chinese customers use mobile payment more than tourists from other countries.

PAYMENT METHOD USED MOST OFTEN

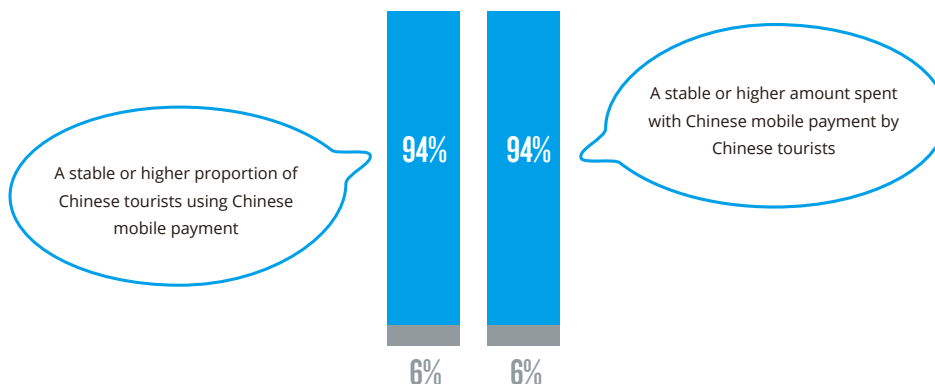


Source: Nielsen

Overseas merchants also point out that Chinese customers' use of mobile payment becomes increasingly normal and shows a steady upward trend each year. Around 94% of merchants surveyed in the U.K., South Korea and Singapore express that the usage rate of mobile payment by Chinese tourists remained stable or increased, compared to 2018. In addition, 94% of them felt that the amount spent by Chinese tourists through mobile payment remained stable or increased.

In Singapore and South Korea, where Chinese mobile payment solutions had been accepted earlier, in particular, almost all merchants (97%) surveyed indicated a steady improvement compared to 2018 in terms of mobile payment usage and spending by Chinese customers.

TRENDS FOR MOBILE PAYMENT USAGE BY CHINESE TOURISTS



Source: Nielsen

2. OVERSEAS MERCHANTS ACCELERATED ADOPTION OF CHINESE MOBILE PAYMENT

WHY OVERSEAS MERCHANTS HAVE ADOPTED CHINESE MOBILE PAYMENT SOLUTIONS

The rapid development of Chinese mobile payment solutions in outbound tourism markets has been no accident. It is largely a result of concerted efforts between Chinese tourists on the demand side and local merchants on the supply side.

When asked, merchants have said that the primary reason they adopted Chinese mobile payment solutions was because Chinese tourists, accustomed to using mobile payment in stores, expressed their desire to use mobile payment abroad. Local merchants surveyed said that 86% of Chinese customers directly inquired whether the store accepts mobile payment.

Local merchants also said they adopted Chinese mobile payment solutions after seeing success from their industry peers, or through encouragement from family and friends. This further shows that Chinese mobile payment solutions have a gaining influence on overseas businesses serving tourists. At the same time, many merchants are aware that they can benefit from digital solutions – ranging from marketing and promotional activities to mobile payment – to attract Chinese customers.

OVERSEAS MERCHANTS SPED UP ADOPTION OF CHINESE MOBILE PAYMENT SOLUTIONS

Among merchants serving tourists in the three countries that have adopted Chinese mobile payment solutions, 36% have supported Chinese mobile payment services since at least 2017, 35% since 2018, and 29% since 2019.

In Singapore and South Korea, where Chinese mobile payment solutions gained momentum even earlier, about 80% of merchants supported Chinese mobile payment tools before 2019. In regions where Chinese mobile payment solutions were developing rapidly, such as the U.K., 61% of surveyed merchants introduced the solutions since 2019. The adoption of Chinese mobile payment solutions by merchants serving tourists in the U.K. indicates growing efforts to support Chinese mobile payment platforms. This also contributed to a significant increase in mobile payment by Chinese tourists in Europe in 2019.

3 MOBILE PAYMENT FACILITATES THE DIGITAL OPERATION OF OVERSEAS MERCHANTS

CHINESE MOBILE PAYMENT SOLUTIONS ACCELERATE THE DIGITALIZATION OF LOCAL STORE OPERATIONS

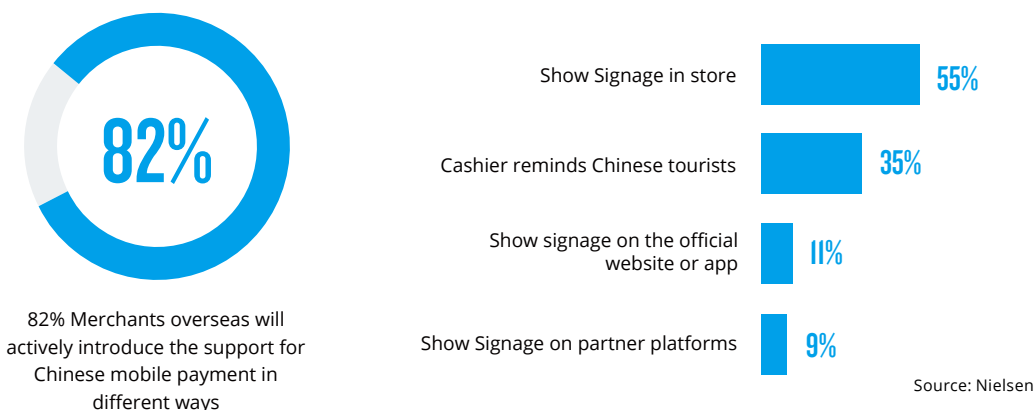
Some local merchants in the U.K., South Korea and Singapore said that Chinese mobile payment solutions not only successfully helped to improve customer traffic and cash flow, but also further strengthened capabilities in daily operations thanks to functions other than payment. In addition to displaying store discounts and promotions to targeted tourist group via digital marketing, some merchants opened online reservation services, or leveraged mini-program solution to enhance user experience. The fully-integrated services of Chinese mobile payment have introduced new business solutions for overseas merchants.

Online and offline shopping are a part of the mobile lives of Chinese tourists. Providing Chinese tourists with information on discounts and coupons before they travel helps overseas merchants capture customer traffic digitally. Building buzz through stores and product quality, and establishing brand trust via digital marketing through Chinese mobile payment platforms can further adapt local culture and brands to the consumption habits of Chinese tourists.

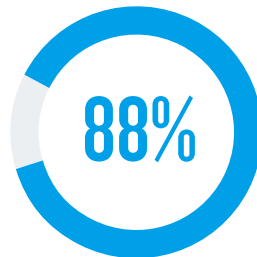
With the help of Chinese mobile payment platforms, overseas merchants have increased exposure of their stores, products and promotions, and their brand awareness. For example, in the U.K., where Chinese mobile payment is increasingly embraced, 88% of surveyed merchants believed Chinese mobile payment solutions and services have improved their stores' publicity, marketing and store promotion. 82% of surveyed merchants use their official website, APP, partner platforms or in-store signage to remind Chinese tourists that they support Chinese mobile payment methods.

In their store operations, in addition to introducing support for mobile payment functions, surveyed merchants in the U.K., South Korea and Singapore also hoped to inform more Chinese tourists about payment method supported in-store through online and offline publicity and notifications. This not only facilitates the consumption and payment habits of Chinese tourists, but also builds a stronger emotional connection with Chinese tourists. 82% of merchants surveyed in the U.K. expressed that both their sales and footfall increased after their business has been connected to the Chinese mobile payment platform.

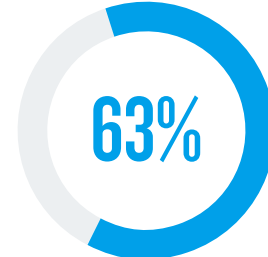
WAYS TO INTRODUCE THE SUPPORT FOR CHINESE MOBILE PAYMENT



Chinese mobile payment systems not only provided merchants with rich and innovative marketing models, but also aimed to improve merchants' management efficiency. Some merchants said that they had been using Chinese mobile payment platforms to manage the turnover of their stores. In the U.K., 63% of surveyed merchants said Chinese mobile payment solutions have improved their operation efficiency.



88% of the U.K. merchants agreed that these services facilitated the marketing of their stores



63% of the U.K. merchants agreed that these services improved the efficiency of store management

Source: Nielsen

CHINESE TOURISTS EXPECT ONE-STOP TRAVEL PLATFORM

Mobile phone usage and spending trends of Chinese tourists are constantly changing. In 2019, 70% of surveyed Chinese tourists planned their itineraries in detail and made relevant preparations before heading overseas. 27% of Chinese tourists said that even if they had made preparations before departure, they still searched for local travel information, merchants, products and promotions via mobile phones after arriving at their destinations. 30% of Chinese tourists said that they did not really plan their trips before heading overseas and therefore chose to research the necessary travel information on their mobile phone after arriving at their destinations.

Being able to switch freely between online and offline platforms, and getting to know local merchants, products and information is essential for Chinese tourists when it comes to their overseas travel and consumption. The data shows that Chinese tourists would book or order travel products / tour guide services (76%) and accommodation (70%) online; collect information about shopping, local products and local merchant promotions online before departure (69%), make appointments for foreign currency exchange online (19%); apply for visas or searched for visa information via online platforms (32%); and use their mobile phones to translate information about transport (30%) and dining menus (26%) after arriving at their destination. These online and offline interactions spanned the entire process of Chinese tourists' overseas travels and influenced their decisions and consumption in sightseeing at tourist attractions, accommodation, food and drinks, and getting around.

The main reasons why Chinese tourists used mobile payment in various scenarios during overseas travel included the convenience of mobile payment and their expectations of enjoying travel and consumption safely and comprehensively through a one-stop platform.

Innovations in Chinese mobile payment and related technology are gradually forming a new outbound tourism business model. In this model, overseas merchants provide Chinese tourists with information, promotions and product sales seamlessly across online and offline platforms, which will also inspire overseas merchants to digitized and upgrade their operations.

4. CASE STUDY: ALIPAY FACILITATES THE DIGITAL OPERATION OF OVERSEAS MERCHANTS

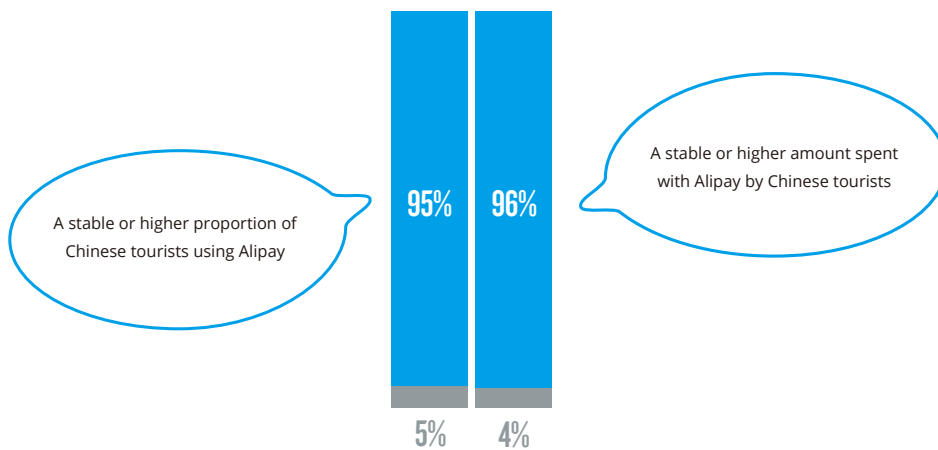
As Chinese tourists make more overseas trips, the accumulated technological and operational experience of Chinese mobile payment platforms can increasingly be found abroad. User penetration and transactional scales have continued to grow, while Chinese mobile payment platforms integrate and innovate further with local business models serving tourists. On one hand, these solutions allow Chinese tourists to spend conveniently and safely in various use cases during their overseas travel, which accelerates the mobile-oriented outbound tourism lifestyle of Chinese tourists. On the other hand, it gives local merchants new ideas in the upgrade and innovation of their digital operations.

This chapter will take Alipay, a leading Chinese mobile payment platform, as an example, and look at its recent developments in outbound tourism and the new model it brings to local merchants.

TREND OF ALIPAY'S GROWTH IN OUTBOUND TOURISM MARKETS

95% of surveyed merchants serving tourists in the U.K., Singapore and South Korea found that the proportion of Chinese customers paying by Alipay has remained or increased steadily compared with the previous year. At the same time, 96% of local merchants found that the amount of spending via mobile payment by Chinese tourists remained the same or increased.

TRENDS FOR MOBILE PAYMENT USAGE BY CHINESE TOURISTS

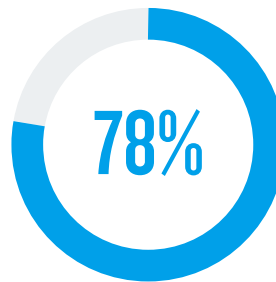


Source: Nielsen

In 2019, 100% of Chinese tourists surveyed have Alipay on their mobile phones. Among those Chinese tourists used Alipay during overseas travel, on average, each used Alipay in nearly 4 use cases during their most recent trip overseas. These use cases included at tourist attractions, hotels, restaurants and shopping in duty-free stores.

ALIPAY'S DIGITAL OPERATIONS FOR OVERSEAS MERCHANTS

Overseas merchants have started to fully leverage the Alipay platform to enhance their digital operation capabilities. In the areas in the U.K. where mobile payment is rapidly developing, nearly 70% of merchants have started to use services other than payment in Alipay, including digital marketing (on Alipay and Fliggy), transaction management, online reservation service, etc. At the same time, with the development of mini-programs, some merchants have already prepared layouts and become among the first to launch Alipay mini-programs. In Singapore, Resorts World Sentosa launched mini-program supporting ticket purchase, food reservation, membership service, navigation map, etc., which allowed Chinese tourists to buy tickets, book celebrity restaurants with a click on the mobile phone and enjoy discount with a mobile phone. These services have not only expanded the current business and marketing model for overseas merchants, but have effectively leveraged the huge volume of traffic on the Alipay platform. 78% of the U.K. merchants surveyed said that they are likely to recommend Alipay to their industry peers in the future, especially utilizing digital exploration to improve efficiency and turnover.



78% of the U.K. merchants surveyed are likely to recommend Alipay to industry peers

Source: Nielsen

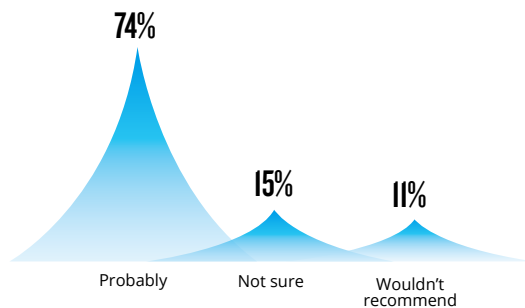
The open mini-program ecosystem has created a convenient experience for Chinese tourists by continuing to enhance their use of Alipay overseas and stimulating their consumption.

5. PROSPECTS AND CHALLENGES FOR THE GROWTH OF CHINESE MOBILE PAYMENT OVERSEAS

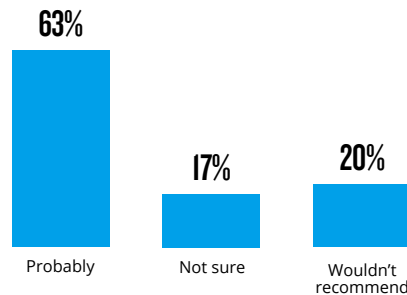
MORE MERCHANTS WILL RECOMMEND CHINESE MOBILE PAYMENT TO THEIR INDUSTRY PEERS

With the increasing number of Chinese tourists using mobile payment and the potential for bringing local merchants better customer traffic and turnover, 74% of surveyed merchants said that in the future, they are likely to continue recommending Chinese mobile payment services to Chinese tourists. 63% of surveyed merchants in the U.K., South Korea and Singapore said they are likely to recommend Chinese mobile payment systems to other merchants in the future and will bring new ideas to the industry to improve efficiency and turnover.

WHETHER TO RECOMMEND CHINESE MOBILE PAYMENT TO CHINESE CUSTOMERS?



WHETHER TO RECOMMEND CHINESE MOBILE PAYMENT TO INDUSTRY PEERS?



Source: Nielsen

In terms of future store operations and management, 66% of local merchants hope to carry out more digital store operations through Chinese mobile payment. 66% of local merchants hope to further their stores' promotional and marketing activities by leveraging Chinese mobile payment platforms.

CHALLENGE: GRASPING MARKET DEMANDS AND SUPPORTING THE DIGITIZED OPERATIONS OF OVERSEAS MERCHANTS

In recent years, Chinese mobile payment solutions have undergone remarkable development in outbound tourism markets. Within each region, mobile payment engagement and volume of Chinese tourists are progressing on multiple levels.

Nonetheless, the road to high-quality development requires a long-term view. Chinese mobile payment solutions in overseas markets have made significant achievements but challenges await in the next milestone. Chinese outbound tourism markets are clearly expanding and being driven by lower-tier cities. To ensure future development, it is essential to understand tourists' rapidly evolving consumption and payment needs during overseas travel, and provide a thoughtful, exceptional online and offline customer experience. Meanwhile, Chinese mobile payment platforms must continue to bring innovative solutions to overseas merchants and enable overseas merchants to better serve their customers with more digital operation tools and services.

RESEARCH METHOD AND STATEMENT

2019 New 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 the U.K., Singapore, and South Korea, as well as the trends affecting their potential future behavior.

In November 2019, Nielsen conducted an extensive quantitative online survey with 4,837 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 December 2019, Nielsen field visited and investigated 547 merchants in and around the scenic area from the U.K., Singapore, and South Korea, including 219 merchants from London, 165 merchants from Singapore, and 163 merchants from Seoul. The data of merchants from the U.K., Singapore, and South Korea in the report was the sum of the statistical data of tourism contribution from the countries or regions after weighing.

This survey on trends for mobile payment in Chinese outbound tourism was a 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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The background of the entire image is a vibrant blue with a series of continuous, flowing, wavy lines that create a sense of movement and depth, resembling ocean waves or a stylized topographical map.

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