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국제학석사학위논문

**The Chinese mobile payment market:
Focus on the growth of WeChat pay from cultural
perspectives**

중국의 모바일결제 시장:

문화적 관점으로 본 위챗페이 성장 요소를 중심으로

2018 년 8 월

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김 아 영

Master's Thesis

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Graduate School of Seoul National University

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International Area Studies Major

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Abstract

The Chinese mobile payment market: Focus on the growth of WeChat pay from cultural perspectives

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China has overtaken the US to become the biggest mobile payment market. Among many players, development of WeChat Pay is noticeable, who has shown explosive growth upon its launch in 2013. This research paper seeks to explore the reasons, especially from a cultural perspective, behind the advanced mobile payment in China, focusing on WeChat Pay's rapid growth and its influencing factors through the analysis of the popular side-product "Red Envelope". The findings of this study will add to the available research to help the other mobile payment systems and business developers of the East Asian region to make better suited strategies in improving and developing their mobile payment and other fin-tech businesses. Main findings suggest that among many other factors, WeChat's cultural product and cultural marketing approach brought positive impacts such as improved 1) culturalization; 2) Brand awareness; and 3) Sustainability.

Key words: Mobile payment; Red Envelope; WeChat; WeChat Pay; Cashless society; Third Party Payment; Cultural context in business

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Table of Contents

- List of figures iv**
- Abbreviations & explanations..... vi**
- Chapter I. introduction..... 1**
 - 1. background 1**
 - 2. Purpose and research questions 2**
 - 3. Argument frame..... 2**
 - 4. Methodology 3**
 - 5. Limitations 6**
- Chapter II. Theoretical background 6**
 - 1. Mobile payment and its market in China 6**
 - 2. Third party payment 9**
 - 3. Main actors in Chinese mobile payment market..... 11**
 - 4. Red Envelope culture and WeChat Red Envelope 19**
 - 4-1. China’s Red Envelope Culture 19
 - 4-2. WeChat Red Envelope 23
 - 5. Literature review 24**
 - 5-1. Culture and Business..... 24
 - 5-2. WeChat Red envelope..... 26
- Chapter III. Findings 27**
 - 1. Distinguishing mobile payments in China 27**

2. Growth of WeChat Pay.....	30
2-1. Base product - WeChat	31
2-2. Technological aspects	32
2-3. Political aspects	33
2-4. Socioeconomic aspects.....	34
2-5. Cultural aspects	36
3. WeChat Pay through cultural strategy – impact of “Red Envelope” product ...	37
3-1. Culturalization	40
3-2. Brand awareness	42
3-3. Sustainability	45
4. Future prospect.....	49
Chapter IV. Limitations and critics	51
1. Business restrains	51
2. Technology gap	52
3. Competitive environment	52
3-1. Rivalry with Alipay	52
3-2. Alliance between existing rivals and new entrants	53
4. Political aspect	54
Chapter V. Conclusion.....	54
Bibliography.....	56

List of figures

Figure 1 Search results of “WeChat Pay” from SNU library..... 5

Figure 2 Search results of “WeChat” from ESSEC Business School library..... 5

Figure 3 Categorization of mobile payment (Compiled by author)..... 7

Figure 4 Mobile payment transaction value in US and China (Routly, 2017)..... 8

*Figure 5 The Development of Cashless Payment in China: 2013 – 2016
(ChinaTechInsights, 2017)..... 11*

Figure 6 Chinese mobile payment market share (China Internet Watch, 2017)..... 15

Figure 7 2016 Q4 3rd Party Mobile Payment Market Share (Chen, 2017) (left) 18

Figure 8 2014 Q3 3rd Party Mobile Payment Market Share (iResearch, 2014) (right) 18

*Figure 9 Perception of surviving with little cash for Chinese people
(ChinaTechInsights, 2017)..... 28*

*Figure 10 Payment methods in convenience stores in Beijing Zhongguancun (China
Channel, 2017)..... 29*

*Figure 11 Location distribution of the Participants of the Red Envelope events in
2017(iiMedia Research, 2017) 35*

*Figure 12 Preferred Channel for Sending Red Envelopes During Lunar New Year
2018 (%) (Brennan, 2018) 41*

*Figure 13 Monthly Active Users of Mobile Payment (Mil.), as of 4Q16 (Coresight
Research, 2018)..... 45*

Figure 14 Number of Digital Red Envelopes sent in WeChat (Bil.) (Coresight Research, 2018)..... 47

Figure 15 Screenshots of WeChat Red Envelope usage (Compiled by author) 48

Abbreviations & explanations

RFID	Radio Frequency Identification
POS	Point of Sale
NFC	Near Field Communication
BAT	3 internet giants – Baidu, Alibaba, and Tencent
MAU	Monthly active users
SDK	Software Development Kit
O2O	Online to Offline
B2B	Business to Business
B2C	Business to Consumer
C2C	Consumer to Consumer
P2P	Peer to Peer

Chapter I. introduction

1. background

With the increasing popularity of mobile payment, the global community is slowly marching towards the cashless society. Advantages of a cashless society abound. Not only is it efficient and convenient as it eliminates the daily hassles of withdrawing, exchanging, cash-in-hand and the possibility of having cash destroyed or stolen (Auyong, 2017), but it also produces the transparency that could allow businesses to avoid illegal trade or counterfeit cash in their daily transactions (Sivabalan, 2017), and makes it easier for the government to supervise them. The trend of becoming “cashless” appears to be accelerating in China due to the prevalence of mobile payment that is significantly changing the habits of 1.4 billion Chinese citizens.

Mobile payment is not new, as numerous companies launched their online payment methods since the 2007/2008 financial crisis where small-amount transactions are possible and fewer documents are needed for more rapid, convenient and sometimes cheaper financial services.

This paper argues that the wide acceptance of mobile payment in China could be highly attributed, among many other factors, to the innovative products with cultural context and localized marketing strategies of third party mobile payment companies. Especially, China’s leading mobile payment system, known as WeChat Pay, successfully combined

the Chinese traditional culture with its products, hence dramatically increased its brand awareness, and strengthened its user habits of using WeChat Pay.

2. Purpose and research questions

This research paper seeks to explore the reasons, especially from a cultural perspective, behind the advance in mobile payment methods in China, focusing on WeChat Pay's rapid growth and its influencing factors through the analysis of the popular side-product "Red Envelope". The findings of this study will add to the available research to help the other mobile payment systems and business developers of the East Asian region to make better suited strategies in improving and developing their mobile payment businesses.

So far, however, there has been little discussion about the success factors of advanced mobile payment systems and applications, implication of red Envelope products in WeChat Pay. Consequently, this paper will try to answer the following questions to fill the knowledge gap in this field: What are the success factors of WeChat Pay in China? How does the cultural product "Red Envelope" influence the development of WeChat Pay? What's the future prospect for WeChat Pay and WeChat Red Envelope?

3. Argument frame

This paper will try to answer these questions by analyzing the success factors of WeChat Pay albeit being the late player than the other mobile payment platform both in China

and the world, such as Alipay and PayPal, especially through the application of its “Red Envelope” product that became the breakthrough for its growth in the early and continuous phase. Secondary resources will be used with a view to have a better understanding of the cultural factors and prospects. A case study of the collaboration between WeChat Pay and New Year’s Gala program of the Chinese state-owned media outlet CCTV during the Chinese New Year in 2014 will be included to show the impact “Shake Red Envelope” event brought to development of WeChat Pay and the Chinese community.

4. Methodology

Throughout this study, secondary data such as official annual reports and media reports, articles, journals and books have been identified via Seoul National University and ESSEC Business School library, and numerous search engines such as Baidu, Google, and Naver. The keywords used for search engines include “mobile payment”, “cultural Context and business”, “cultural strategy”, “Red Envelope”, “WeChat Pay”, “Alipay”, “Apple pay”, “technology acceptance model”, “TAM”, “diffusion of innovation”. When conducting the search for data, the author tried to find literature related to cultural strategies and success of WeChat Pay, but there was a limited amount of literature on “WeChat Pay” from Seoul National University library as shown in figure 1, and none of the related documents were found from ESSEC Business School library as shown in figure 2. Although a large number of journals reported about the surprising amounts of

transaction volumes and quarterly growths of mobile payments, WeChat Pay, and WeChat Red Envelope product, not many of them investigated on the influencing factors of WeChat Pay's growth from cultural perspectives and how one product "Red Envelope" combined digital and Chinese tradition culture has great implications on WeChat Pay's growth. This research will try to fill in the gap in this field by conducting qualitative research through examining WeChat Pay's functions and features, development of the WeChat Red Envelope product based on existing literature in Korean, Chinese, and English languages.

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검색 결과 개연화 수정 586 정렬: 적합도

더 많은 검색결과 보기

검색결과 모아보기

자료유형

- 논문 (567)
- 뉴스기사 (15)
- 리뷰 (3)
- 프로시딩 (1)
- 더 보기

발행연도

시작: 2001 종료: 2011

주제

전자책검색

저자

언어

RSS

검색식저장

이 페이지 e-Shelf에 추가

★ WeChat Pay to promote mobile payment on MTR
Bushell-Embling, Dylan
Computerworld Hong Kong, Nov 27, 2017
[Peer Reviewed Journal]
* 원문 이용가능

온라인 상세정보

★ MOBILE PAYMENTS AND MAJOR SHIFTS IN CONSUMER BEHAVIOUR
Claudiu Chiriac ; Gheorghe Hurdzeu ; Andreea-Alexandra Chiriac (Roşca) ; Ioana-Coralia Zavera
Oradea Journal of Business and Economics, 01 March 2018, Vol.3(1), pp.76-83
[Peer Reviewed Journal]
* 원문 이용가능

온라인 상세정보

★ WeChat Pay HK adds expanded payment features
Bushell-Embling, Dylan
Computerworld Hong Kong, Nov 2, 2017
[Peer Reviewed Journal]
* 원문 이용가능

온라인 상세정보

★ Stripe launches in HK to support online retailers
Bushell-Embling, Dylan
Computerworld Hong Kong, Jul 11, 2017
[Peer Reviewed Journal]
* 원문 이용가능

온라인 상세정보

★ Think twice
International Financial Law Review, Jan 26, 2018
[Peer Reviewed Journal]
* 원문 이용가능

온라인 상세정보

★ 中国网络发展与电影批评及其价值取向 - Chinese Internet Development and Film Criticism and Value Orientation
张华华 ; ZHANG Zhi - hua
艺术百家 - Hundred Schools In Art, 2014, Vol.30(05), pp.24-28
[Peer Reviewed Journal]
* 원문 이용가능

Figure 1 Search results of “WeChat Pay” from SNU library



This search didn't retrieve any result

Retry the search again changing or deleting some of the terms.

Figure 2 Search results of “WeChat” from ESSEC Business School library

5. Limitations

There are certain limitations in this study in that, as WeChat Pay and WeChat Red Envelope are still new, there are not sufficient literatures that could refer to. Furthermore, due to the limited resources, this research lacks quantitative research that could give more concrete and specific evidences to the arguments that introduce of WeChat Red Envelope is indeed one of the greatest initial motivation for users to adopt and keep using WeChat Pay. Even though official data from Tencent, WeChat's parent company, suggests that user numbers increased dramatically upon the launch of WeChat Red Envelope and also during the "shake WeChat Red Envelope" event in 2014, it is still important to understand the true motivation for users to adopt and keep using the WeChat Pay. Lastly, most of the figures for WeChat Pay is marked as "Tenpay", however, these figures show the combined figures of WeChat Pay and QQ wallet. Most of the articles and news reports use the data of "Tenpay" fully as "WeChat Pay" as market share of QQ wallet is minor. Regardless, it is important to note that data extracted from "Tenpay" is not completely equal to that of WeChat Pay.

Chapter II . Theoretical background

1. Mobile payment and its market in China

As Wharton School argued in its article in January this year, "mobile payments have taken off in China thanks to a savvy decision by Alipay to use QR, or Quick Response, codes to handle transactions. The technology was developed by the Japanese company

Denso Wave in 1994 for the automotive industry, but it was the Chinese who seized on its promise as a way to handle mobile payments. Digital payments are processed by scanning QR codes at the point of sales (POS) which link to the customer’s bank account in China” (Knowledge@Wharton, 2018).

Mobile payment is the capability to pay for a product or service using one’s electronic device (Rowles, 2017). Broadly speaking, mobile payments could be classified into two categories: remote and proximity (Dahlberg et al. 2008), which means “it can take place over the Web or can be completed in the offline world through contactless payment options such as Near Field Communication (NFC) and Radio Frequency Identification (RFID)” (Cindy Krum, 2010).

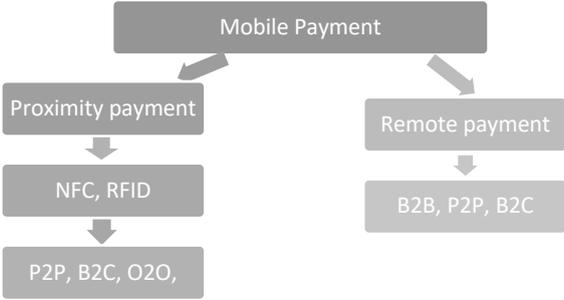


Figure 3 Categorization of mobile payment (Compiled by author)

Mobile payment allows online stored value payment system, which makes online financial transactions with vendors or other individuals possible with the stored value that could be charged or transferred by the third party. “One advantage of this is that no personal credit information has to be shared among the users or even with the platform itself, and the service can be used by individuals to pay one another even in small amounts” (Laudon et al., 2016).

The online payment industry in China began in 2004, about 6 years later than the western world such as US, Finland, Sweden, England and Japan. In the US, the online payment industry started in 1998, and “Sonera, a mobile operator and service provider based in Finland, started to offer mobile payments back in 1997” (Brett King, 2010), yet Alipay of China only started in 2004, and the most promising competitor of Alipay, WeChat Pay was born in 2013.

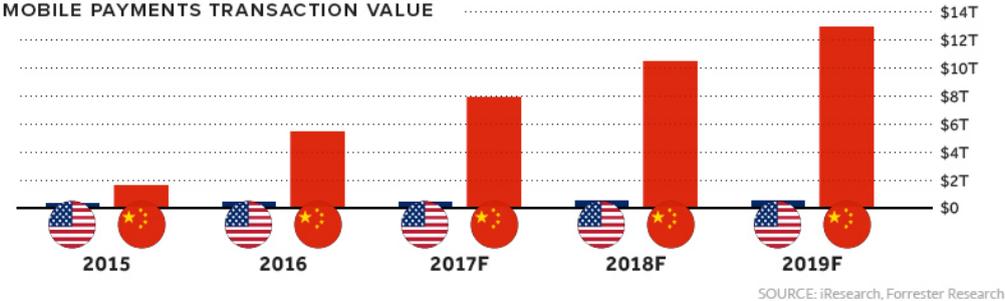


Figure 4 Mobile payment transaction value in US and China (Routly, 2017)²

² Nick Routley, 2017. “China’s Digital Wallets Offer a Glimpse at the Future of Payments”, Visual Capitalist, December. Retrived from <http://www.visualcapitalist.com/china-digital-wallets-payments/>

Online payment in China has taken off since then, with faster speed when mobile payment started being widely adopted around the world. As shown in figure 4, the gap between Chinese and the US mobile payment market size is only increasing. According to Statista, from a global comparison perspective it is shown that the highest “mobile POS payments” transaction value is expected to be reached in China with transaction volume of US\$198,232 million in 2018³. It is also suggested that the “total transaction amount of mobile payment in China has increased 381% in 2016 and the transaction volume is expected to grow at a 68% rate over the next 2 years, and is set to increase China’s GDP by US\$236 billion by 2025” (Chen, 2017).

2. Third party payment

Third-party payment refers to trading platforms with certain strength and credit guarantee that are launched by scale enterprises or institutions that have contract/cooperation with major banks (Cong, 2016).

Chinese mobile payment market is mainly based on third party payment. Mobile payment by most of the banks and the card issuer UnionPay are also available on the market but following the early success of third party payment such as Alipay and late

³ Mobile POS Payments-China, 2018. Statista Market Forecast, April. Retrieved from <https://www.statista.com/outlook/331/117/mobile-pos-payments/china#>

coming yet well designed and marketed WeChat Pay, the third parties have taken over the Chinese mobile market quickly. Figure 5 shows that for the past few years, third party mobile payment has been more popular than the mobile payment platforms served by banks. Chinese people's early habits of adopting third party mobile payment is attributed to Alipay. Following the huge success of Taobao⁴ by Alibaba, Alipay was created to provide secure online commodity transactions on Taobao. In the massive virtual online intangible market, "trust" and "supervision" have been some of the bottlenecks for its development. Both buyers and sellers were reluctant to take risks first, and to meet the market demand for simultaneous and equal exchange, third-party payment such as Alipay was introduced by Taobao's parent company, Alibaba. The buyers paid for the transaction to Alipay, and the sellers received the payment from Alipay after the transaction is delivered to the buyer. Alipay, in the absence of credit guarantees or legal support, functioned as a mediator to help proceed the responsible and trustworthy commodity exchange so the transfer of payments could be controlled or stopped under the breach of transactions (Cong, 2016). Consequently, Alipay ensured that no party takes the risk at the cost of transaction. Catering to the market demands of synchronization and equal exchange, third-party payment came into being.

⁴ Taobao is the major online shopping platform in China, it connects small vendors and customers.

THE DEVELOPMENT OF CASHLESS PAYMENTS IN CHINA: 2013-2016

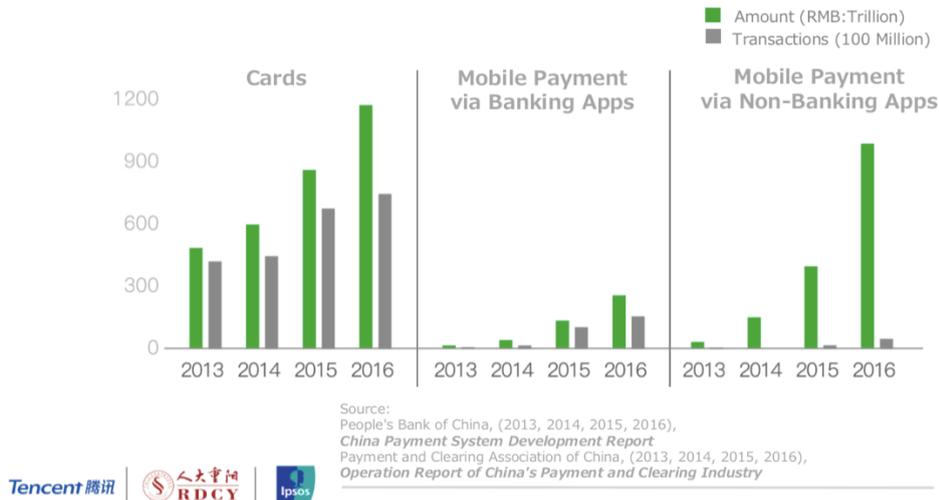


Figure 5 The Development of Cashless Payment in China: 2013 – 2016

(ChinaTechInsights, 2017)

Already being used to the third-party payment such as Alipay, Chinese citizens were more open to online payment served by the third parties, which prepared the favorable environment for WeChat Pay to start with. When WeChat Pay entered the mobile payment market, Chinese citizens has been exposed to safe third-party payment service provided by Alipay for 10 years.

3. Main actors in Chinese mobile payment market

Internet giants in China such as Baidu, Alibaba, and Tencent, also known as BAT, can be considered as ones of the major players in the Chinese mobile payment market (Li,

2016)⁵. Baidu is known as the Chinese version of Google and is the biggest search engine widely used in China; Tencent owns major social networking platforms such as WeChat and QQ; Alibaba runs a worldwide online commercial platform Taobao. Due to the interrelations of finance and commerce, and its early penetration into the market, Alibaba has captured the Chinese online and mobile payment market since its launch of online payment service in 2004 and mobile payment service in 2008. However, the share of WeChat Pay has skyrocketed since its introduction of “Red Envelope” product to the market in 2014, attracting 8 million users for the first 10 days of its launch, according to China Internet Watch⁶. The development of Baidu Pay and the others have been relatively slow as they offered limited services with no link to social networking or commerce platform while Alibaba and Tencent had already infiltrated to the Chinese people’s daily lives through the most popular online commerce store Taobao and the most widely accepted social networking platform WeChat. According to Statista, monthly active users (MAU) of Taobao reached 549 million⁷, and WeChat announced attracted 963 million MAU as of the 4th quarter of 2017⁸.

⁵ 李士振, 2016. “移动支付, 这么玩就对了。”Posts & Telecom Press, July. Page 98

⁶ China Internet Watch, 2015. WeChat, Weibo or Alipay? Who Won Hongbao War in 2015, February. Retrieved from <https://www.chinainternetwatch.com/12424/hongbao-war-2015/#ixzz5FN7stH2c>

⁷ “Number of mobile monthly active users across Alibaba's online shopping properties from 1st quarter 2015 to 3rd quarter 2017 (in millions)”, 2018, Statista. Retrieved from Number of mobile monthly active users across Alibaba's online shopping properties from 1st quarter 2015 to 3rd quarter 2017 (in millions)

⁸ “Number of monthly active WeChat users from 2nd quarter 2010 to 2nd quarter 2017 (in millions)”, 2018, Statista. Retrieved from <https://www.statista.com/statistics/255778/number-of-active-wechat-messenger-accounts/>

3-1. WeChat and WeChat Pay

WeChat is a social networking platform introduced by Tencent group in 2011. Tencent, as one of the top 3 conglomerates in China, covers numerous business such as social networking, payment, entertainment, information, utilities, and even artificial intelligence. Tencent is especially the leader in social networking platforms. It has great impacts on people's daily lives through the provision of social networking platforms "Weixin/WeChat", where 70%⁹ of the entire national population are monthly active users, and QQ, "the most used online communication tool" (QQ official website, 2018).

Since its launch in mainland China in 2011, WeChat has successfully become the most popular social networking platform in China, covering 200 countries and 21 languages, providing various services such as exchanging instant messages, calling a cab/Uber and food delivery, paying bills for electricity/water/gas/phones, insurance purchases, making donations and financial investments, "Moments" (the in-app platform where people share daily lives pictures, thoughts, and videos), and search for people nearby. The platform is an integration of instant messaging and daily lives assistant, bringing about a smart lifestyle on an all-in-one app. In a word, WeChat combines major function of Facebook, Instagram, Applepay, PayPal, Uber, Snapchat and even Tinder, several applications that are widely used in global market. "WeChat has evolved into a connector

⁹ WeChat MAU as of 2017 4th quarter/Chinese population = 963 million/1.4 billion = 69%

and open platform across industries, connecting users with the others, and business services” (Tencent, 2018).

If WeChat connects people to people, WeChat Pay then connects people to information through online links or QR codes. The QR code not only carries information, but also connects online and offline, shifting small and medium-sized vendors that lacks infrastructures and resources to online network. WeChat Pay, which is an in-app product of WeChat developed by Tencent’s finance company Tenpay¹⁰, was introduced on August 2013, since then, as figure 6 illustrates, it has shown unmatched growth in mobile payment domain and became the second largest and the most rapidly growing online payment platform in China, embracing O2O (Online to Offline), B2C (Business to Consumer), C2C (Consumer to Consumer), P2P (Peer to Peer) services across industries. In the market, WeChat Pay captured 37% of the share, increasing 85-fold in four years, while it only accounted for 10% of the market in 2014 (Macheel, 2017). To seize overseas market transaction by Chinese tourists (WeChat Pay is prevalent in the world, but not yet available for foreigners), WeChat Pay is also speeding up its collaboration with local banks and vendors and now it has covered 16 overseas regions¹¹, with rapid proliferation with critical success in Korea and Japan. WeChat pay’s development in

¹⁰ Tenpay also operates QQ wallet, other than WeChat Pay.

¹¹ 16 overseas regions include Mainland China, Australia, Canada, France, Holland, Hong Kong, Indonesia, Korea, Macau, New Zealand, Philippines, Singapore, Thailand, United Kingdom, and United States. (WeChat Pay website, 2018. Retrieved from https://pay.weixin.qq.com/wechatpay_guide/isp_list.shtml)

Europe is also noticeable. “A ‘first’ in Europe, the WeChat Pay solution is being initially rolled out at the two Paris flagship stores owned by the Galeries Lafayette Group – Galeries Lafayette Haussmann and BHV MARAIS starting from 25th of September with the support of BNP Paribas bank” (BNPParibas, 2017). Soon after its launch in Paris, UK and Netherlands followed the trail. Currently, WeChat Pay is only allowed for Chinese users abroad (within Chinese territory, there are no restrictions for foreign users) but since every year, 7.4 million Chinese tourists visit Europe, which is more than 1 % of the entire Europe population, the European market that is only intended for Chinese tourists seems to be sufficiently big.

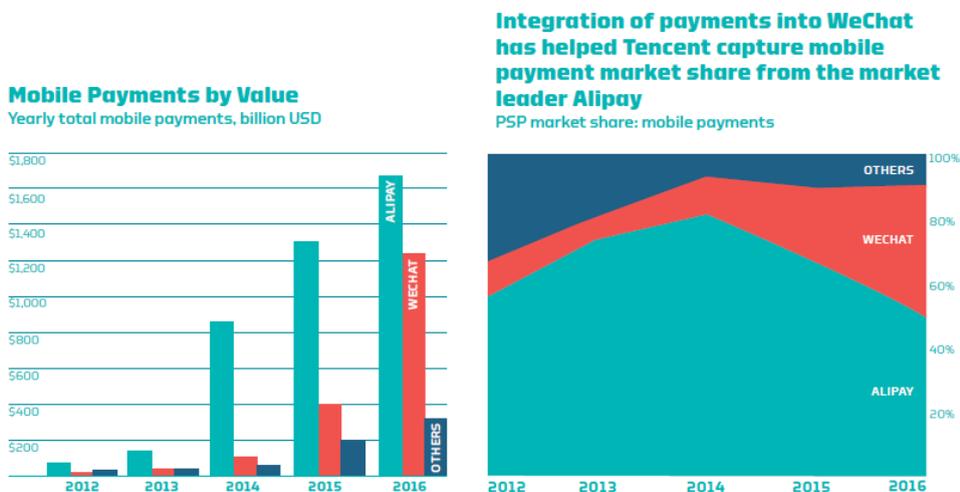


Figure 6 Chinese mobile payment market share (China Internet Watch, 2017)

WeChat Pay offers features such as Quick Pay, QR Code Payment, In-App Payment, and In-App Web-Based Payment. Among them, quick pay and QR code payment are the most distinguishable and widely used functions as they are made available for purchases

in both web-based and offline stores. In order to make offline payments, “the Chinese Payer shows their bar code or QR Code on WeChat's Quick Pay page to the Vendor to scan in order to pay directly. QR Code Payment is used for both online and offline payments. The Vendor generates a transaction QR Code according to the WeChat Payment Protocol and the Chinese Payer opens "Scan QR Code" in their WeChat in order to complete the payment; In-App payment also referring to a mobile-based payment in which the Vendor calls the WeChat payment module by using the open SDK (Software Development Kit) integrated in their mobile-based app to pay for transactions” (WeChat, 2017).

At the same time, below currencies are available for direct payment: “GBP, HKD, USD, JPY, CAD, AUD, EUR, NZD, KRW, THB, SGD, RUB. The minimum amount of transfer to Merchant by Tenpay is US\$5,000 or its equivalent in other currencies. If the settlement payment to Merchant is less than US\$5,000 or its equivalent in other currencies in any settlement period, such settlement payment will not be remitted to Merchant and will be accrued to the next settlement period. Settlement shall be made based on T+1. The Handling Fee of Transfer shall be shared between the Parties, means that the Handling Fee for transfer of settlement payment receivables by Merchant from the PRC banks to a foreign bank shall be borne by Tenpay, and all other charges such as the costs of intermediary banks or receiving banks shall be borne by Merchant.” (WeChat Pay official website, 2018).

Beauty of WeChat Pay is that there is no switching time for the users. 2017 WeChat user report indicates that “average time spent in WeChat also increased significantly over last year and is now 66 minutes per day. 83% of respondents now use WeChat for work” (Brennan, 2017). As WeChat Pay is an in-app product that is inserted on the WeChat application, users do not need to reopen a new application for the payment, as many of them would have been already on Naturally, WeChat Pay came in handy as they are always on the base app. Indeed, “44.5% of users claimed not carrying cash was a reason to use WeChat pay” (Brennan, 2017)¹².

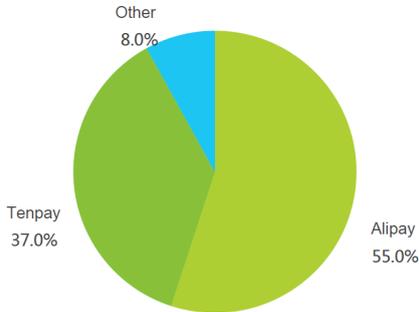
3-2. Alipay

Alipay is a leading third-party online payment system founded in February 2004 in China. “Alipay overtook PayPal as the world's largest mobile payment platform in 2013” (Heggestuen, 2014). As introduced in the previous section in the “Third Party Payment”, Alipay came into being to protect the vendors and the buyers on the shopping platform of Taobao. With the rapid growth of Taobao, Alipay as a service has taken off correspondingly, and in February 2008, it introduced mobile payment, capturing the biggest market share of the mobile payment for 10 consecutive years until now. As illustrated in the figure 7 and 8, “in the third quarter of 2016, Alipay had a 55% share of China's US\$5.5 trillion mobile payment market, by far the largest in the world, although

¹² Matthew Brennan, 2017. 2017 WeChat User Report is Out ! China Channel, Apr 25. Retrieved from <https://chinachannel.co/1017-wechat-report-users/>

its share fell from 82.6% of 2014 as its rival Tencent's WeChat Pay is rapidly catching up” (The Wall Street Journal, 2018)¹³.

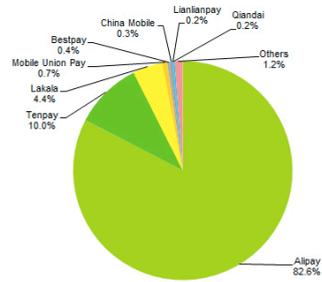
2016Q4 3rd Party Mobile Payment Market Share



Source: iResearch, 2017 China 3rd Party Mobile Payment Report

WALKTHECHAT

China Third-party Mobile Payment Market Share by GMV in Q3 2014



Note: Banks and Unionpay are excluded and only third-party payment corporations are included. SMS payment GMV has been excluded, too. iResearch corrected historical data according to latest market information.
Source: The data is calculated based on interviews with enterprises and experts in iResearch statistical and forecast model.

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Figure 7 2016 Q4 3rd Party Mobile Payment Market Share (Chen, 2017) (left)

Figure 8 2014 Q3 3rd Party Mobile Payment Market Share (iResearch, 2014) (right)

¹³ Newley Purnell, 2018. Alibaba and Tencent Set Fast Pace in Mobile-Payments Race. The Wall Street Journal, sept 22. Retrieved from <https://www.wsj.com/articles/alibaba-and-tencent-set-fast-pace-in-mobile-payments-race-1506072602>

4. Red Envelope culture and WeChat Red Envelope

4-1. China's Red Envelope Culture

Red Envelope culture is more than giftings, it represents the human affection. Therefore, giving red Envelopes to the others means one cares about the other, that one wishes the luck/health/fortune for the others.

Red Envelope (红包), also known as Yasuiqian (压祟钱 or 压岁钱) is by definition money given to children as a lunar New Year gift by seniors, according to New Century Chinese-English Dictionary, and “lucky money” according to Chinese-English Dictionary of Human Life. But as Zheng points out in his article, “money given to children as a lunar New Year gift by seniors to get rid of evils” could better explain the true meaning of Red Envelope¹⁴. Also, it is important to understand in Chinese Red Envelopes, what is valued is the red envelope itself, not the money inside. Therefore, the amount of money is irrelevant to the meaning that red Envelope delivers. Regardless, with the growth of Chinese economy, the amount inside the red envelope has grown significantly, even allowing some young people to pay their mortgages with the amount of money they have received through red envelopes.

¹⁴ Zheng Siping, 2014. “压岁钱的内涵与翻译(Cultural Connotation and Translation of Yasuiqian)”.

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“The traditional red envelopes that hold the monetary gifts date back to the ancient tradition of celebrating the Lunar New Year in Chinese culture. The legends associated with the origins of the red envelopes vary, but most include a magical and evil entity that was defeated” (Black et al, 2006). The famous legend goes as follow: in ancient times there was a demon with black body and white hands, whose name was “Sui (祟)”. On the last day of each Lunar Year, it appeared during the night time to curse young children. It touched the head of a sleeping child by hand, and made them suffer until they become fools. Therefore, parents would stay up for the night and gather together with lights on to keep away “Sui”. Then there was a couple surnamed Guan in Jiaying packed eight coins in red paper for their child to play with until he fell asleep. In the middle of the night, when the demon Sui came to touch the child’s head, the light from the wrapped coins appeared by the child’s head, and scared the demon away. Later the story spread out, more and more parents gave coins wrapped with red paper to their children to keep away the demon “Sui”. Since then, the parents inherited this habit and it became part of the Chinese culture. People called such wrapped coins as “Yasuiqian” which means “Sui (demon) suppressing money” (Baidupedia, 2018)¹⁵. Such culture spread out to the other Asian countries, especially in countries such as South Korea, Japan, and Thailand, it has become an important part of the local culture.

¹⁵ Baidupedia, 2018. “压岁钱”, retrieved from <https://baike.baidu.com/item/压岁钱/68386>

Later, Yasuiqian had been perceived for the wider use. The Chinese character of Sui in “Yasuiqian” was changed from the demon “祟” to “岁”, which means “age”, as the red Envelope culture also meant as an “incentive for elders to give to the younger generation. Therefore, one source says the money in the envelope is kind of bribe that buys a year of life for the elder from the youthful receiver. Another source, contradictorily, gives the meaning of the red envelope to ensure children’s health and strength by putting any past illnesses behind them. This type of practice has been labeled "age extension money." ”(Black et al, 2006) That being said, “Yasuiqian” became the representative of the wishes, health, and luck, gradually, growing population exercised Yasuiqian by putting bills in a red envelope to convey their wishes and luck to the others. The expression of “Yasuiqian” is still used today in Chinese, together with rather modern term “Hongbao” which literally means “red envelope”.

As mentioned above, “Red Envelope” culture has been popularized as a custom. Not only for exorcising evil spirits but also because “the red color of the envelopes has traditional symbolism attached in Feng Shui, the Chinese design system which connects the physical properties to spiritual aspects of life. Red symbolizes, “a rising ‘chi(气)’”, heat, reputation, increasing energy, expansion, living color, auspicious color, healthy cells and blood, life energy, and vitality. In the sense of heat and increasing energy, the red envelope is said to ‘ignite’ any wishes to fruition when written on notes placed inside the envelope. Feng Shui practices also state that the red envelope will cleanse the money of all negativity and the gift should thus make the receiver pleased” (Black et al, 2006).

Therefore, traditional red envelopes are also considered to be a way to express "human affection" in many cases (Peng, 2017). The red envelopes are given to each other among families, friends, colleagues, and business partners on national holidays, birthdays, or special occasions such as marriage or other events. Sometimes the donations to the poor are done through red envelopes.

"The envelopes serve as a mean to demonstrate to the giver and receiver a shared cultural existence and common bond, and it is through the continued evolution of this timeless tradition that money itself will serve as means to unite a culture. The denominations given in red envelopes can get very substantial in size, but they can also range down to as little as one dollar given as a symbolic gesture" (Black et al, 2006). Allegedly, it is not too uncommon to find the red envelopes that contain more than hundred thousand dollars especially on celebration events such as wedding ceremony. Therefore, the transaction amount of red envelope in China is unmeasurable as most of the large amount gifting is done through cash exchange, however, it is not uncommon to see the red Envelopes that exceed the value of hundred thousand dollars for the special occasions such as wedding ceremonies.

Originally, the red envelopes were purely sincere and there was no trade foul. However, since the gifting culture has become common practice in the late 1970s, the meaning of red envelope has gradually changed. The purposes extended from the celebrations and blessings to ask for help and sort of compensations. The scope has extended from family, friends and relatives to business partners and the red envelope has gradually become a

"quote". Naturally, red envelopes have also been used for bribery and embezzlement. Such phenomenon has become so popular that China Central Television published public advertisings to urge people to reject business red envelopes.¹⁶

4-2. WeChat Red Envelope

WeChat red Envelope/envelope is an application launched by Tencent's WeChat, on January 28, 2014, 3 days before the 2014 Chinese New Year. Utilities of WeChat Red Envelope include sending and receiving red envelopes, checking records. Upon the launch of Red Envelope, WeChat Pay team presented the series of intense and wide scale promotions. In time for the Chinese New Year, "New Year Envelope" was implemented on the "WeChat Wallet" page of the WeChat application, enabling its existing 355 million¹⁷ users to have access to such features directly. WeChat and its partner stores, sent out red envelopes in forms of cash and vouchers through Wechat's official accounts, where public or private organizations open as "information/service center".

"There are two types of 'Red Envelopes' offered by the app: the pairwise red envelopes, via which money is sent from a private chat of two users, and the Group Red Envelopes, where money is distributed in a group chat. The 'grouped' Red Envelope can then be

¹⁶Baidupedia. 2018. "红包" Accessed July 13. <https://baike.baidu.com/item/红包/690774?fr=aladdin>

¹⁷ MAU of Wechat as of 31 December 2013, Tencent annual report 2014

posted to a group chat and the application randomly assigns the amount in each envelope to each recipient” (Qian, 2015).

WeChat Red Envelope enabled users to give and receive financial gifts as a form of virtual 'cash', and the amount received is saved into the user's WeChat Pay account, which can be used later for send back the lucky money to the others, making purchases or withdrawals from that account to bank accounts.

Some journals argue that WeChat Red Envelopes have the added benefit to merchants of recycling back money into the local economy. WeChat Pay users will make purchases offline in retail stores and restaurants with their outstanding balance of Red Envelopes (Brennan, 2018).

5. Literature review

5-1. Culture and Business

The relationship between culture and brand/product is progressively emphasized. Kotler illustrates in two of his books, that a brand is a culture, and the product is not only a concrete representation of this culture, but also a means of communications (Kotler, 1992). He later argues that “socio-cultural transformation sees consumers as human

beings who should be empowered to move up the Maslow pyramid¹⁸.” “It is more relevant to companies not only at the product level but also at the business model level. By utilizing the power of collaboration, it can lower the cost and create higher impact” (Kotler, 2010).

Penaloza et al emphasizes in their book that Cultural values have a significant effect on communication, and culture pervades consumption and marketing as culture influences business practices, consumer choice and behavior. They point out that knowledge of culture brings important effects in “understanding the varying marketing phenomena, that the company can benefit from applying interpretive cultural approaches to strategic marketing activities, including decisions about: market segmentation; product and brand positioning; research methods; globalization and consumer and organizational identity, amongst others” (Penaloza, et al, 2012). They also argue that the emotional and cultural dimensions of a category tend to influence long-term brand loyalty, and the “next generation” of the new rich in China may expect more and they must relate brand meanings to their culture and their unique identity projects.

¹⁸ Maslow used the terms "physiological", "safety", "belonging and love", "esteem", "self-actualization", and "self-transcendence" to describe the pattern that human motivations generally move through. The goal of Maslow's Theory is to attain the sixth level or stage: self transcendent needs. (McEwen, 2014)

5-2. WeChat Red envelope

Peng's study in “微信红包中的社会图景 (Social Perspective from WeChat Red Envelope) in 2017 aims on finding out two following questions: is use of WeChat Red Envelope is affected by “human emotions” and “dignity(面子)” that are carried in traditional red Envelopes? As a way of network interaction, how is the WeChat Red Envelope mapping and influencing social relations in reality? Through the interview with 102 interviewees, and by observing and researching the WeChat platform, this study identifies that 70% of WeChat Red Envelope users are motivated by the convenient payment, and that even though WeChat Pay also offers money transfer, people still preferred to use WeChat Red Envelope for such function because sending red Envelopes is more festive. It is also observed in her study that 40% of the users use WeChat Red Envelopes as part of “low-cost social networking” and to “assimilate better into the groups”, indicating the social networking features of WeChat Red Envelope. The literature concludes that WeChat Red Envelope, compared with the traditional one, hasn't essentially changed in its social capital nature when it is used as social interaction, or in its personal expression function and emotional communication function when it is taken for dignity, although it broadens the application scope of the traditional red envelope. But interaction through red envelopes is more extensive in the field of WeChat. The network of relationship created by WeChat Red Envelope can be much larger than that of traditional red envelope. Therefore, the effect of WeChat Red Envelope on social

capital accumulation is more obvious. On the other hand, WeChat Red Envelope is still influenced by the relationship model in reality.

Chapter III. Findings

1. Distinguishing mobile payments in China

“Proximity payment (contactless cards and handsets) was introduced by China Telecom in 2010, and since 2011, many non-financial institutions have introduced new types of mobile payments including proximity, remote, and O2O payments. Recently, financial institutions such as UnionPay have also launched mobile payments complementing their mobile banking services” (Zhong et al, 2015). However, thanks to early success of Alipay and popularity of “Red Envelope” product of WeChat, mobile payment market in China is based on third-party payment. UnionPay is a way of direct mobile payment too yet most of the market share goes to the third-party payment companies such as Alipay and WeChat Pay.

Mobile payment in China is highly prevalent that according to research from Ipsos Research, 74% (figure 9) of the Chinese people believe that they can live for more than a single week or even more than a month with only RMB100 in cash (about US\$16).

HOW LONG CAN YOU SURVIVE WITH LESS THAN 100 RMB IN CASH?

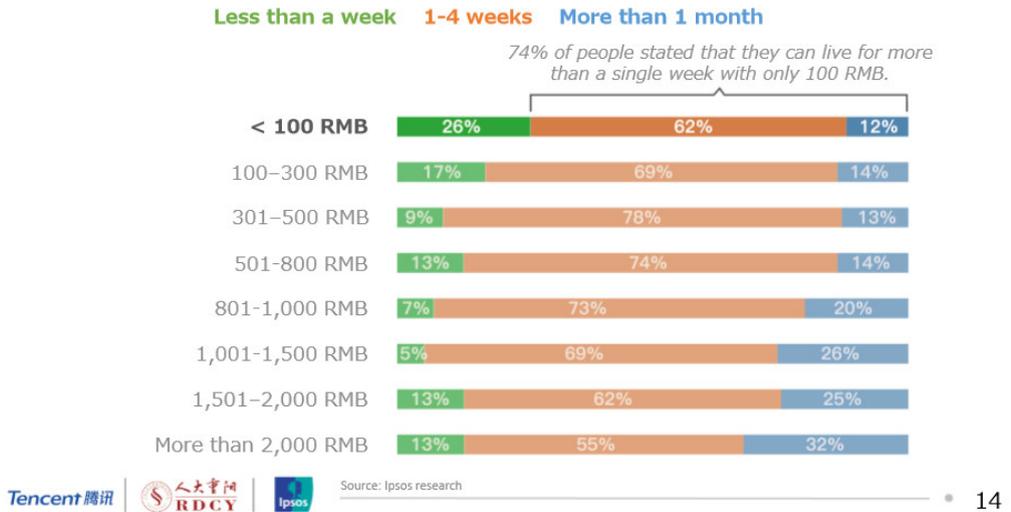


Figure 9 Perception of surviving with little cash for Chinese people (ChinaTechInsights, 2017)

Furthermore, research from China Channel with the data from 2017 first quarter, as shown in figure 10, suggests that major regions of China are already close to completely transforming to cashless societies, with only 1 out of 10 purchases of offline convenience store is done through cash, and more surprisingly, 6.7 purchases out of 10 were proceeded through mobile payment such as Alipay and WeChat Pay.

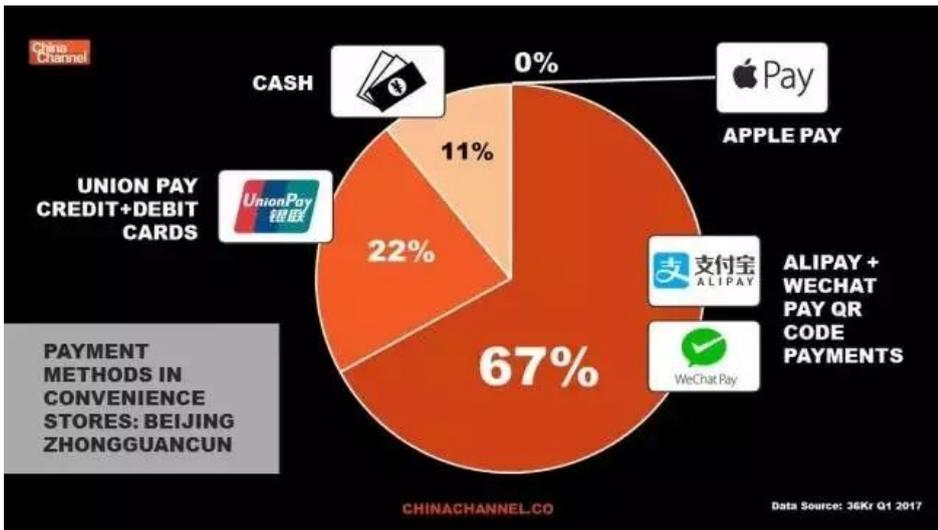


Figure 10 Payment methods in convenience stores in Beijing Zhongguancun (China Channel, 2017)¹⁹

This party mobile payment wave has infiltrated people’s daily lives so well, that Tianhong asset management company, the parent company of Yue bao, a fund management service for the individual users offered by Alipay, “has become the first Chinese fund company to manage more than RMB 1 trillion (US\$145 billion) by 325 million users” (Yue, 2017).²⁰

¹⁹ Matthew Brennan, 2017. “WeChat Key Trend Report 2017”, China Chanel, March. Retrieved from <https://chinachannel.co/wechat-key-trends-report-2017/>

²⁰ Yue, 2017. “Alibaba’s Yu’eBao Becomes First Chinese Fund Management Firm With Over RMB1 Trillion In Assets”, China Money Network. Retrieved from <https://www.chinamoneynetwork.com/2017/04/27/alibabas-yuebao-becomes-first-chinese-fund-management-firm-with-over-rmb1-trillion-in-assets>

2. Growth of WeChat Pay

WeChat itself is an all-in-one social networking platform that provides services such as exchanging instant messages, calling a cab/Uber and food deliveries, paying bills for electricity/water/gas/phones, insurance purchases, making donations, Moments (the in-app platform where people share daily lives pictures, thoughts, and videos), making financial investments, and the search for people nearby which functions as Tinder in the western world. Recent Tencent report announced that 60% of the expats in China are using “WeChat Pay for group buys, food delivery, transportation, dining and online shopping,” they also tend “to be more active than the Chinese users, as 60 percent more foreign users send messages through WeChat, 42 percent more use voice calls and 13 percent more use video chat” (China Daily, 2017).

As the the most popular application for Chinese people and the expats with MAU of 70% of the Chinese population, WeChat platform provided major incentive for its in-app payment system “WeChat Pay” to start with. WeChat Pay is directly linked and accessible by WeChat Pay users without registration procedure. Even though Alipay has already secured the monopoly of online payment market, the favorable market condition, political support, and the innovative cultural promotion helped WeChat Pay gain rapid growth and reducing the gap with the front runner Alipay.

2-1. Base product - WeChat

WeChat is the most popular platform in China that has integrated various life service features in one application. Many articles argue that “the success of WeChat Pay is attributed to the fact that it’s an extension of WeChat social networking and instant messaging tools” (Kiera, 2018). If Alipay achieved success with its parent company’s online shopping platform Taobao by linking the purchase at Taobao directly to Alipay, WeChat Pay captured its market share by introducing it on the base product, WeChat. Launching the payment tool on the social networking platform that is reached daily by then MAU of 500 million people²¹ dramatically increased its brand recognition and reduced the switching cost for the users to switch from Alipay to WeChat Pay. WeChat Pay also made it possible for WeChat users to purchase financial products such as mutual funds directly on the WeChat application, transforming WeChat into a completely aggregated life-service assistant.

Mobile payments no longer only stay on top of payment tools but also became a payment platform that covers the comprehensive functions of the mobile Internet (Li, 2016). By implementing the commercial features such as WeChat Shops (Weidian), WeChat Official Accounts (Gongzhonghao), and WeChat Pay, WeChat has successfully blended eCommerce and social media.

²¹ Tencent annual report 2014

2-2. Technological aspects

China is already transformed from an imitator into an innovator (Du, 2017).²² Richard Ji, cofounder of Asia All-Stars Investment, an investment fund that has invested in China's most successful tech companies, argues that "China and the U.S. are the world's only true technology superpowers. No other economies come even close." Until only recently, China was widely viewed as "copycats and pirates, or an efficient manufacturing platform whose factories depended on the Chinese low-cost labor and foreign technology. China is now among the world's top three markets globally for venture capital in digital technologies, and economic growth is driving the expansion of internet companies. China's internet market grew by 6.2% last year to 731 million people, with 95.1% accessing the web via their mobile phones, according to data provided by the China Internet Network Information Center. And a growing middle class will lead to increased demand for innovative products and services" (Chandler, 2017).²³

The unmatched market size of mobile payment in China is also due to its rapidly growing online network environment. Chinese telecommunication systems licensed 3G network

²² Yilong Du, 2017. "Imitator To Innovator: How China Could Soon Be The World's Tech Leader" Forbes, Sep. retrieved from <https://www.forbes.com/sites/insideasia/2017/09/12/imitator-to-innovator-how-china-could-soon-be-the-worlds-tech-leader/#6f55999e6fb4>

²³ Clay Chandler, 2017. "Why China Is Emerging as a Tech Superpower to Rival the U.S.", fortune, november. retrieved from <http://fortune.com/2017/11/21/china-innovation-dji/>

in 2008, 4G in the early 2015, and the internet era of China was born. Online finance has surged during the 2013, following the rise of internet, commercial power has slowly transferred from desktop to mobile devices. At the end of 2014, penetration rate of the smart phone has reached over 70% due to the thrive of low price mobile market (Cong, 2016), providing a favorable environment and direct incentive for development of mobile payment market.

2-3. Political aspects

At the National People's Congress in March 2014, the first plan for the "Sound Development of Internet Finance and Strengthening the Financial Supervision System" was drafted, and the "Internet Finance" was promptly included in the draft (Premium Chosun, January 1, 2015). 1 year later, the 3rd meeting of the 12th National People's Congress on March 5th, 2015, Premier Li Keqiang explicitly stated in the "Government Work Report": "Formulate an Internet+ action plan to promote mobile internet, cloud computing, big data, and internet of things. The combination of modern manufacturing and internet will promote the healthy development of e-commerce and industrial Internet finance, and guide Internet companies to expand the international market."

A series of upbringing policies support China's activation of third-party payments. The most striking feature of this process is the establishment of a "negative system" policy framework, which is based on the upbringing of the prefectural industry and the subsequent regulation.

The state council pointed out in “Several Opinions on Promoting Information Consumption and Expanding Domestic Demand”, that they will take mobile financial development as an important measure to promote information consumption and expand domestic demand (Cao, 2015).

2-4. Socioeconomic aspects

In China, especially in the rural areas, financial services are still hard to have access to. And “a lack of formal financial services infrastructure and activity limits market exchanges, increases risk and affects opportunities to save (Brett King, 2010).” With WeChat Pay, people are now able to have access to various financial services such as transferring, receiving money, making online/offline purchases, even investing in fund management products, without having to link a bank account, if they have enough balance in their “WeChat wallet”, reducing the inconvenience to having to physically approach to financial services. Figure 11 shows that the netizens in the third-tier cities, instead of the first and the second-tier cities where are more developed in terms of technology and modernity, more actively participated in “win WeChat Red Packet” event during the Chinese New Year by CCTV. It is natural that third-tier city population have the needs to have access to online financial services than the people who live in the city where the bank offices are reachable conveniently.

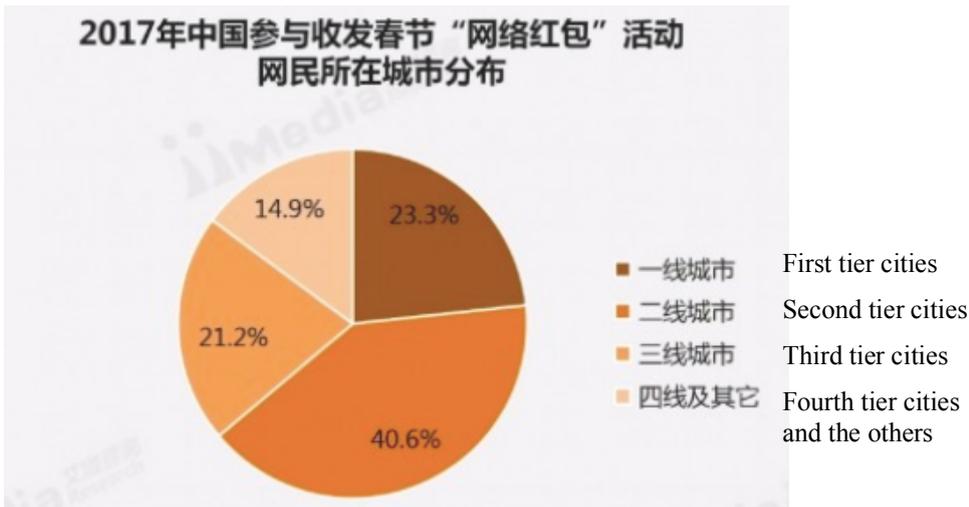


Figure 11 Location distribution of the Participants of the Red Envelope events in 2017(iiMedia Research, 2017)

At the same time, due to the aforementioned environment, eCommerce in China was exploding since 21st century and now is ranked the first in the world to be the biggest eCommerce market. Such environment came in handy when WeChat Pay was launched for the O2O and online to online payment use.

On the other hand, unlike the advanced countries, credit card infrastructure for China was rather poorly developed. China has not yet entered the era of credit cards, and credit card payment has not been popularized. This allowed Chinese consumers to skip credit cards and directly enter the era of mobile payment. In Europe and the United States, payment by credit card is prevalent, consumers think that mobile payment has no obvious user experience compared to credit card payment. Both consumers and buyers

prefer card/mobile payment in China also because fake bills were rather highly infiltrated in China. By electronizing the transaction, there were no more risk for either parties to receive fake bills in hands.

2-5. Cultural aspects

“礼尚往来”, which would mean “one good turn deserves another”, is one of the core virtues emphasized in China until now. Therefore, it is natural for Chinese people to return a favor or gift after receiving things or money from the others. Thus, making bonds between them stronger through repeated gift exchange. This is how WeChat Pay makes its users repeatedly use WeChat Pay, through the introduction of digitized red envelopes: there is no one sided red envelope giftings, the receiver must send them back through similar channels.

As stated above, technological, political, and socioeconomic environments have been favorable for development of mobile payment platforms. In such a competitive market, WeChat was able to loom with the help of its side-product WeChat Red Envelope. Exchanging red envelopes during the national holidays, especially on the day before the Chinese New Year, is deeply rooted in the Chinese culture to wish and deliver their blessings and luck to the others. WeChat Red Envelope, which is merely a digitized version of the Chinese tradition, expeditiously gained adoption and popularity upon its launch. As a matter of fact, it is hard to determine whether people’s conception towards WeChat Pay was mainly driven by the popular side-product WeChat Red Envelope.

However, it was proven that the number of WeChat users that have linked their bank card to WeChat Pay has increased dramatically since the launch of WeChat Red Envelope, and the number of WeChat Red Envelopes sent and received have been growing over the past years. WeChat’s parent company Tencent announced in the 2014 annual report that “the aggregate number of user accounts that have integrated bank cards with Mobile QQ Wallet and WeChat Payment exceeded 100 million as we enriched payment scenarios and launched initiatives to build user awareness and habit, such as Red Envelope gifting.” Details of cultural aspects on WeChat Pay will be discussed in the next chapter.

3. WeChat Pay through cultural strategy – impact of “Red Envelope” product

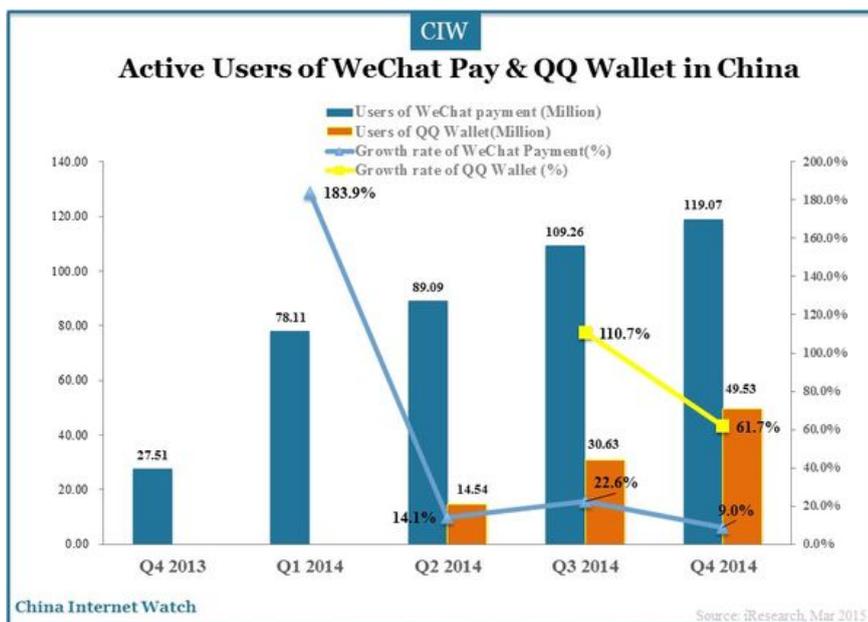


Figure 12 Growth Rate of WeChat Pay 2014 (China Internet Watch, 2015)

“WeChat understood that the true motivation behind this use and drew a parallel with an old Chinese philosophy called “circle cultures,” meaning smaller circles are much stronger at the core and as the circles get bigger, the ties get weaker” (Tseng, 2017). WeChat Pay was introduced under a similar context: implemented traditionally cultural product in digitized way, making it possible to use such functions only between “friends” that are added to the users’ WeChat accounts, in which way the users feel more ease and familiar to adopt WeChat Red Envelope as part of their habits.

Following the explosive success of WeChat Pay, year 2014 was called the “first year of the mobile payment of China” (Cong, 2016). Year 2014 is when famous “WeChat Red Envelope” was born. In 2014, WeChat, aligned with JD.com, Taikang, Weidian and other brand merchants, issued a total of over RMB500 million in cash bonuses. The maximum single red envelope was RMB4,999 (around US\$780), and there were also vouchers worth RMB3 billion (around US\$470 million). From the New Year’s Eve to the 8th day of 2014, 30th January to the 7th of February, more than 8 million users participated to win red envelopes and 40 million red envelopes were sent. On average, each participant won 4 to 5 red envelopes with the average amount of RMB10 per envelope. As inferred by figure 12, such event rapidly contributed to WeChat Pay’s growth, by achieving 184% of quarterly growth rate since the previous quarter. It is noteworthy that even though linking bank account is not required for using Red Envelope function, the number of bank card linked to WeChat users increased by 30%

during just one New Year Festival of 8 days, which indicate that sending digitized red Envelopes instead of physical ones has been slowly become a habit for Chinese users, and that they were ready to keep such habits in the future. “By the end of 2014, more than 100 million users had linked their bank accounts with WeChat Pay and QQ Wallet²⁴, the payment system of QQ, another popular messaging system of Tencent” (Tech in China, 2017). At the same year, “total transaction value of China mobile payment market exceeded RMB599.247 billion (US\$97.628 billion) with an increase of 391.3% from the previous year, according to data of iResearch²⁵” (China Internet Watch, 2015).

WeChat Pay platform has since expanded its features to include payment solutions for food delivery, taxi ordering, online shopping, residence management expenses (electricity, water, and gas fee for their homes) and wealth management. WeChat users can stay in the app for various online and offline services from ordering to payment, further reinforcing its users’ engagement within the app and marking WeChat’s successful foray into the mobile payment market.

²⁴ Eva Xiao, 2017. “How WeChat Pay became Alipay’s largest rival”, Tech in Asia, April. Retrieved from <https://www.techinasia.com/wechat-pay-vs-alipay>

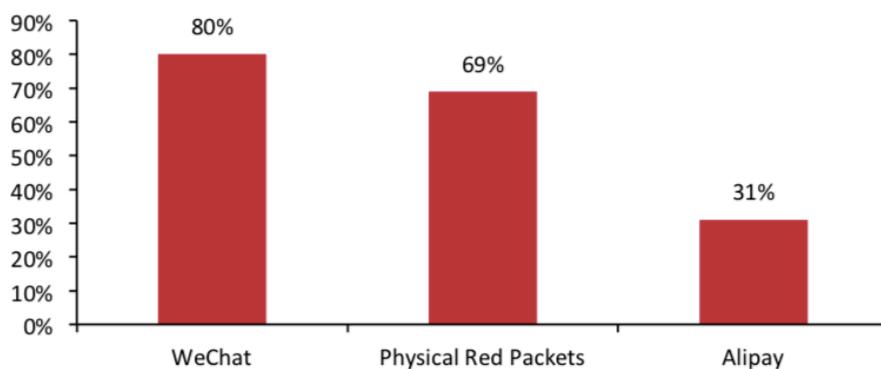
²⁵ China Internet Watch, 2015. Retrieved from <https://www.chinainternetwatch.com/12815/mobile-payment-2014/>

3-1. Culturalization

Culturalization is defined as “the process or fact of becoming cultured; refinement, intellectual cultivation” by Oxford Living Dictionary. In recent years, “WeChat Red Envelope” has become the most popular way to celebrate the Chinese New Year (Yuan and Sheng, 2016) and the sending of WeChat Red Envelopes has become ingrained as a modern tradition of the Chinese New Year. Mobile technology is shaping modern society and creating new forms of expression and ways to connect with each other (WeChat Red Envelope report. 2018). As the author of “Vigils: From the Office of the Dead” ironically pointed out, red envelopes contain culture and not only bills (Black et al, 2016).

Even though initially, what mattered in red envelope culture was the red envelope itself, not the bill inside, following the economic development since 1990s, it has become a culture to leave paper bills of RMB50 minimum in red envelopes, and the coins were prohibited by implicit rule. As a consequence, the culture was mainly practiced among relatives, close friends and business partners. By using virtual credit, WeChat Red Envelope made it possible for users to send Red Envelopes even with a trivial amount of money, sometimes less than US\$0.10. In a way, such functions strengthened the cultural practices where users can exercise the traditional habits to bigger range of acquaintances without having the constraints of budget or geographical issues. At the same time, as no larger amount of physical bills need to be sent, the WeChat platform gives people a favorable environment for freely sending red envelopes to the others.

In Peng's study, interviews were conducted with 102 subjects regarding the WeChat platform, and it was concluded that WeChat Red Envelope, compared with the traditional one, hasn't essentially changed in its social capital nature (Peng, 2017). At the same time, figure 12, showing the users' preference for sending money to their peers in 2018, tells us that more people are in favor of practicing their traditional culture through the digitized WeChat envelopes than the orthodox way. This result means that Chinese users have appropriated WeChat Red Envelope to the point that it started replacing the physical red Envelopes, that have been part of the Chinese traditional culture.



Source: Lightspeed Research

Figure 12 Preferred Channel for Sending Red Envelopes During Lunar New Year 2018 (%)
(Brennan, 2018)

We can therefore infer that WeChat's Red Envelope is gradually becoming an important cultural practice and might later become the tradition itself, as the amount of people using WeChat is increasing throughout the years. A similar phenomenon occurred when the e-mail was created, the digital version slowly replacing letters to the point that people and companies using physical mails are today perceived as obsolete in some places of the world. However, the WeChat Red Envelope tradition still has a few years ahead of it since some people are still reticent to using online payment methods or just prefer to use cash and mail as a habit.

3-2. Brand awareness

As stated in the first part of literature review, several articles argue that relationship between culture and business are strong, and the direct connection between cultural dimensions and long-term brand loyalty is discussed in Penaloza's literature. "Brands have been considered as the second most important assets for a firm after customers" (Doyle, 2001). "This is because successful brands can allow marketers to gain competitive advantage" (Lassar et al, 1995)²⁶, and brands grow in value to the extent that consumers engage with brands at personal, visceral levels and grow in brand loyalty (Yankelovich 1964, Aaker 1991, Fournier 1998).

²⁶ Hayan Dib and Abdullah Alhaddad, 2014. "The Hierarchical Relationship Between Brand Equity Dimensions" European Scientific Journal October 2014 edition vol.10, No.28.

Also, as Mininni emphasized through his article in 2008, “cultural anthropology can play a key role in developing consumer connections by taking marketing to a more meaningful, more human level. Tying core brand essences to deeply held cultural meaning gives consumers “a reason to believe in them”. By being firmly grounded in cultural values that matter to the customer, brands can transcend competitors to become not only category leaders, but icons. British marketing professors Richard Elliott and Andrea Davies state: "In a consumer culture, people no longer consume for merely functional satisfaction, but consumption becomes meaning-based, and brands are often used as symbolic resources for the construction and maintenance of identity." The idea of letting consumers internalize the brands they identify with in a deeply, more personal way, and dictating gradual changes is orchestrating brand new thinking. Result is that the consumer is more in tune with culturally significant brands than ever.”²⁷

WeChat Pay launched their WeChat Red Envelope as their main attraction and tried to bring cultural factors into the product. WeChat Red Envelope was launched 3 days before Chinese New Year eve in 2014, presenting an alternative, convenient, and gamified digital red envelopes to the market. After attracting 8 million users successfully, WeChat Pay held a promotional giveaway during the most watched Chinese TV program CCTV’s New Year’s Gala, where viewers could win WeChat digital red envelopes as

²⁷ Ted Mininni , 2008. “Brand New Thinking: Put It in Cultural Context”, Marketingprofs, June. Retrieved from <http://www.marketingprofs.com/8/brand-new-thinking-cultural-context-mininni.asp>

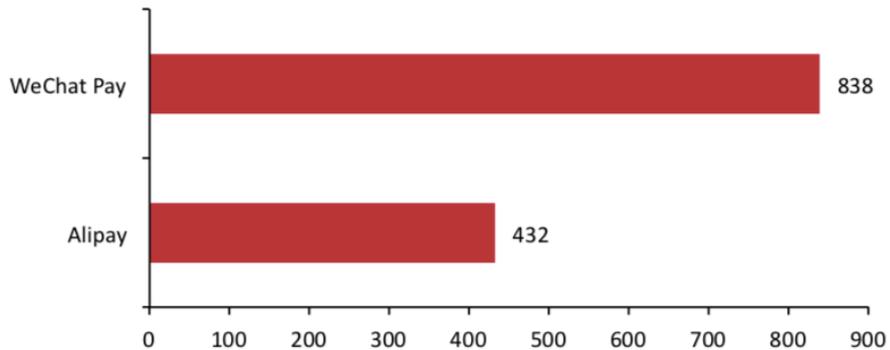
prizes. According to WeChat, in 2015 from 20:00 on the New Year's Eve to 00:48 on the New Year's Day, the total number of transactions of "shake Red Envelope" as part of CCTV New year's gala has reached 11 billion, reaching 810 million transactions/minute.²⁸

CCTV New Year's gala, the most popular TV program China started in 1983, and watching this program with family on the New Year's Eve has long been an important part of Chinese traditions in modern era. Consequently, it can be seen that WeChat Red Envelope, from the product itself to the marketing methods, they were all connected to cultural context. By presenting the cultural product in the most cultural program in China, WeChat Pay not only connected potential consumers to the traditional culture, but also showed them it values their culture, giving users the feeling of connection and a sense of closeness to the brand WeChat Pay. As shown in figure 13, only 2 years after its launch, WeChat Pay's MAU number exceeded the market leader Alipay by nearly 100%, and the use of WeChat Red Envelope and WeChat Pay platform are constantly increasing at much faster rate than the other mobile payment platforms such as Alipay, Weibo, and Baidu Wallet, which infer that engaging with cultural components was a great marketing tool to introduce WeChat Pay and build customer relations. Its cultural practices such as proposing digitized red Envelopes and cooperating with the nationwide

²⁸ Xin Xiang et al, 2015. "2015 New Year's Gala, WeChat Red Envelope as become the most popular program (2015 年别样春晚 微信红包成最火节目)". Tencent TMT, Feb. Rerieved from <http://tech.qq.com/original/tmtdecode/t846.html>

Chinese New Year celebrating program was indeed a good marketing method to raise Chinese people's brand awareness.

Figure 8. Monthly Active Users of Mobile Payment (Mil.), as of 4Q16



Source: Analysys

Figure 13 Monthly Active Users of Mobile Payment (Mil.), as of 4Q16 (Coresight Research, 2018)

3-3. Sustainability

Around the Spring Festival in 2014, the first wave of users of WeChat Pay, namely internet practitioners, media reporters and some of WeChat's heavy users began to snap up red envelopes in the WeChat group. "Almost overnight, people thought that the Alipay system would be overtaken by WeChat red envelopes". On January 29, 2014,

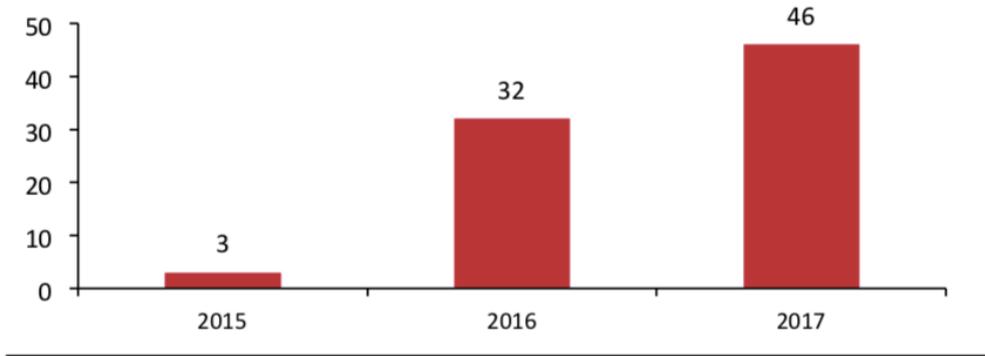
Jack Ma, the founder of Alibaba, left a message on his personal social networking account to describe WeChat Red Envelopes as “Pearl Harbor attack”²⁹.

A traditional culture is hard to be eliminated. Consequently, once Chinese users synced traditional red envelope culture with WeChat Red Envelope, it became hard for them to stop using this product as it has become part of their regional traditional culture. Indeed, transaction volume for WeChat Red Envelope during the Chinese New Year has only been increasing rapidly.

Since then, digitized red envelope heavily promoted by WeChat Pay has become a habit of Chinese citizens. Chinese people are now able to maintain their traditional culture to send wishes and red envelope during the Chinese holidays while sitting at home. Since WeChat’s Red Envelope is simply a different form of the tradition, people feel more at ease with adopting it and keeping these habits in the future. As shown in figure 14, the habit of sending digitized red envelopes is only strengthening following the development of internet and technologies. Figure 15, screenshot from the author’s personal WeChat groups, also indicate that sending WeChat Red Envelopes through the groups has become a way to greet the new year with friends.

²⁹ Chinanews, 2014. “Jack Ma calls the success of “win WeChat Red Packet” event as “Pearl Harbor Attack”(微信“抢红包”意外疯传 马云斥其为“珍珠港偷袭)”, China News, February. Retrieved from <http://finance.chinanews.com/it/2014/02-05/5804136.shtml>

One interesting thing would be that unlike its American counterparts, WeChat Pay can be used not only through the linked bank account, but also through the “balance” from red envelopes, receipt from the others etc. In a few words, people can spend their balance of WeChat Pay they have received from Red Envelopes from the events or friends without presenting their personal bank information. However, according to Tencent, the aggregate number of user accounts that have integrated bank cards with Mobile Tenpay had exceeded 100 million already, by the end of 2014. Acceptance to WeChat Pay after the “Red Envelope” boom has accordingly increased.



Source: Tencent/Bloomberg/Coresight Research

Figure 14 Number of Digital Red Envelopes sent in WeChat (Bil.) (Coresight Research, 2018)

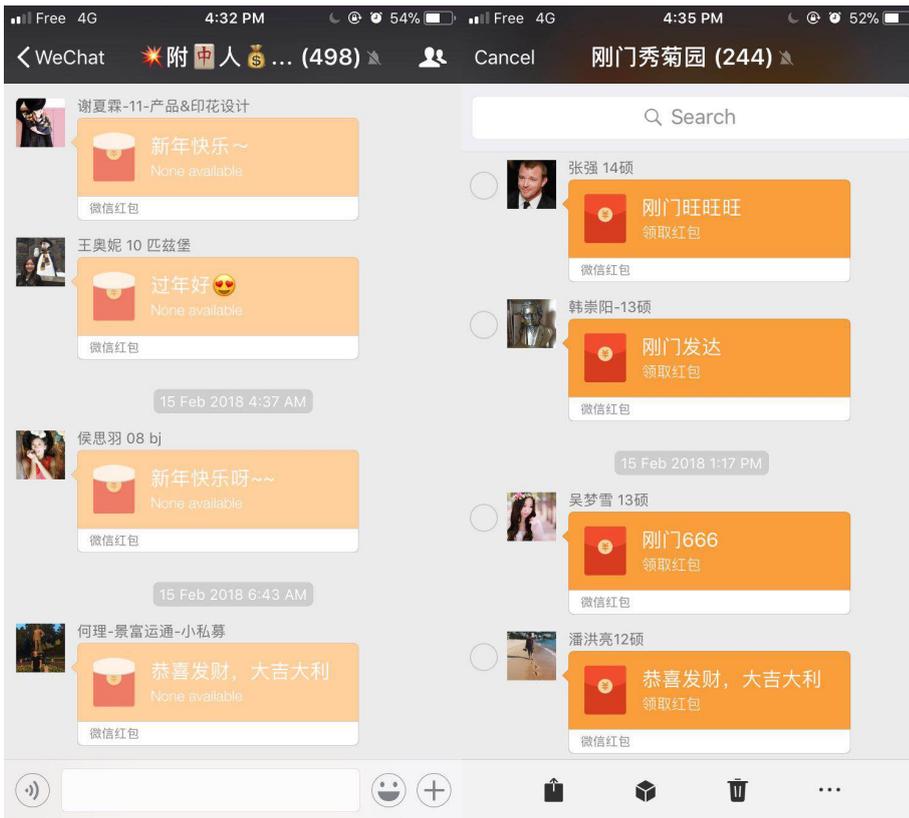


Figure 15 Screenshots of WeChat Red Envelope usage (Compiled by author)

Coresight mentioned in their research report in early 2018 that they believe that “WeChat’s success in digital red envelopes has made its users accustomed to sending and receiving money within the app. As of February 2018, WeChat has broad user base of over 1 billion MAU with a high degree of user engagement, which gives the app a strong competitive edge to further develop its mobile payment, and is making it a threat to Alipay’s dominant market share in mobile payment in China. Coresight research also points out that, the growth of the mobile payment market has accelerated meaningfully since 2016, much like the exponential growth seen in digital red envelopes sent by

WeChat users, and that not only has the popularity of WeChat's digital red envelopes allowed it to gain share of the mobile payment market, but it has also helped the market itself to expand. According to iResearch, the Chinese mobile payment market will reach RMB165.9 trillion (US\$26.4 trillion) in 2018 and RMB307.2 trillion (US\$48.9 trillion) by 2020.”³⁰

4. Future prospect

It is hard, almost impossible to find a shop that does not accept WeChat Pay and Alipay, especially in the major cities of China. Even a tiny convenient store in a small alley that is far away from the main road is equipped with mobile payment solutions. As a matter of fact, it would be harder to find a shop that takes cash than to find one that takes mobile payments. China is already rapidly marching towards cashless society, and the infrastructure is well equipped around the country. Tencent announced that WeChat payment ecosystem already has more than 30,000 service providers, covering more than 300 cities and serving millions of offline stores (Tencent Tech, 2018).³² Ecosystem is to

³⁰ Weinswig, 2018. “Digital Red Envelopes: WeChat's Successful Foray into Mobile Payment” Coresight Research, March. Retrieved from <https://www.funglobalretailtech.com/wp-content/uploads/2018/03/Digital-Red-Envelopes-WeChat's-Successful-Foray-into-Mobile-Payment-March-28-2018.pdf>

³² Tencent Tech, 2018. 商业模式数字化革新，微信支付发布 2018 全新合作伙伴政策体系 (Digital innovation in business model, WeChat payment released 2018 new partner policy system) Tencent Tech, March 19. Retrieved from <http://tech.qq.com/a/20180319/031394.htm>

be more perfect, but more competitive as more entities join the market and they all follow the promotion tactics introduced by WeChat Pay – digital Red Envelope.

Having developed domestic market, “WeChat Pay is expanding globally, leveraging its simple payment process and the massive number of Chinese tourists traveling outside China. Especially popular in South Korea and Japan, over 70% of the mobile internet traffic consumed by Chinese travelers in Korea was consumed on WeChat”, according to Tencent³³. WeChat Pay’s ambition is not limited to neighboring countries. Last year in 2017 in September, WeChat Pay was launched at Paris flagship store owned by the Galeries Lafayette Group as a first in Europe, and since then, it has expanded to other European markets such as the UK and the Netherlands, allowing 7.4 million Chinese tourists to Europe to have simpler payment method.³⁴ It is likely that WeChat Pay will continue to explore and develop new markets around the globe. WeChat Pay service is only accessible by Chinese citizens abroad (no such constraint within the Chinese territory), and it is reasonable to expect that WeChat Pay will open their platform to foreigners also in the coming years.

³³ WeChat, 2018. WeChat Pay Duplicates Domestic Lifestyle Overseas Where Over 90% Chinese Still Prefer Mobile Payment, Cision PR Newswire, Feb 28. Retrieved from <https://www.prnewswire.com/news-releases/wechat-pay-duplicates-domestic-lifestyle-overseas-where-over-90-chinese-still-prefer-mobile-payment-300606006.html>

³⁴ BNP Paribas, the press office. 2017. BNP Paribas launches WeChat Pay in Europe [Press release]. Retrieved from <http://www.bnpparibas.com.cn/en/2017/11/09/bnp-paribas-launches-wechat-pay-in-europe/>

Growing number of WeChat Red Envelope transaction amount infers that such trend is set to continue, and quick adoption of WeChat Pay by the expats with the penetration rate of 64.4% in China and the global expansion of WeChat Pay is likely to help WeChat Pay catch bigger portion of the market in the world, and we could infer that Red Envelope function is to be popular among increasing population of foreigners that are interested in Asian culture and Chinese citizens living abroad, as many of them are still exercising culture through traditional way.

However, future prospect of WeChat Pay and WeChat Red Envelop may not be as positive as it looks. Other competitors are following up WeChat Pay's lead to launch digital red envelope products on their payment platforms and some are forming alliance (such as "mobile quick pass" which will be discussed in 3-2 in chapter IV) to provide integrated services, WeChat Pay will need to keep developing new strategies to continue to be top two player in Chinese mobile payment market.

Chapter IV. Limitations and critics

1. Business restrains

Due to the restrict from banks, most of the mobile payment can be proceeded in small volumes, which enables convenient and efficient C2C experience, but impossible for B2B transactions and conduct large volumes of transactions.

2. Technology gap

An interviewee from Lan Peng's research survey pointed out that WeChat Red Envelope has created a kind of technology gap and left out old population who are not comfortable with mobile phones. Transiting from emotional community into the "Red Envelope Community", easily lead to the gap between the elders and juniors. WeChat Red Envelopes set new technical or psychological barriers for elders. Even without binding bank cards, many elderly people instinctively think that money on mobile phones is insecure. Being unable to participate in WeChat red envelope interaction may again cause them to have technical and social barriers with their children. (Peng, 2017)

3. Competitive environment

3-1. Rivalry with Alipay

The payment war between WeChat Pay and Alipay has been occurring aggressively as some chain stores start to stand by one payment method and boycott the other.

Walmart had removed Alipay as part of the payment solutions, as Wal-Mart is the third largest shareholder of Jingdong, and Tencent is the largest shareholder of Jingdong.

On the other hand, according to Week in China, Better Life has signed a strategic agreement with Tencent and Jingdong in February 2018, pledging to support “small retail”³⁵, stopping to accept Alipay at the same time.

3-2. Alliance between existing rivals and new entrants

Recently in December 2017, “Mobile Quick Pass” was introduced by the Chinese credit/debit card issuer Union Pay. “UnionPay’s Mobile QuickPass is a complete set of mobile payment solutions that include contactless and in-app payment with mobile phones, UnionPay QR code payment and contactless payment with wearables. It offers all-round services to issuers, acquirers, merchants and cardholders. Now, UnionPay Mobile QuickPass is accepted at about 1 million POS terminals in about 20 countries and regions outside mainland China, including Hong Kong, Macau, Singapore, Australia, Canada and Russia” (Union Pay official website, 2018). Overseas device mounted mobile payment system such as Huawei Pay, Apple pay, and Samsung Pay are also supported through the Mobile QuickPass devices. The success of Mobile QuickPass is yet to be discussed, but the fast growth of such a product can be expected for its solid infrastructure and wide range of services (mobile bank cards, device-mounted payment systems).

³⁵ Week in China 2018. Payment declined: *Walmart cuts off Alipay after forging deal with Tencent*. Week In China, Apr 6. Retrieved from <https://www.weekinchina.com/2018/04/payment-declined/>

4. Political aspect: Regulations

Political environment for finance market was favorable for mobile payment platforms as the government supported the development of fin-tech, small and medium size enterprises. However, with the rapid unique growth of WeChat Pay, some regulations are introduced to regulate the marketing activities of WeChat Pay. For instance, on February 28, 2015, a third-party research organization China E-commerce Research Center released a report stating that WeChat payment had many violations of the "Administrative Measures for Payment Services of Non-financial Institutions" and "Institutional anti-money laundering and anti-terrorism financing management measures" issued by the Chinese Central Bank in 2010 in terms of product functions and opening procedures, etc. The report suggests that in the long-term, WeChat payment should apply for a separate payment license.

Chapter V. Conclusion

WeChat Pay has shown explosive growth soon after its launch, and introduction of WeChat Red Envelope greatly increased the brand awareness and strengthened its marketing strategy. Indeed, it is hard to decide whether the launch of WeChat Red Envelope made a breakthrough in WeChat Pay's growth since WeChat Pay was introduced in a favorable environment on the most popular social networking platform, WeChat. However, after reviewing literature from second hand resources in English, Chinese, and Korean, the author has concluded that, cultural contexts in the product

WeChat Red Envelope and extensive marketing through CCTV New Year's gala delivered positive results to the sustainable development of WeChat Pay. Especially, these measures include "culturalization", "brand loyalty", and "sustainability". Culturalization explains Chinese consumers' favored method for exercising red envelope habit, which has become WeChat Envelope rather than the physical envelope; brand loyalty can be inferred to be high among users through analysis given by Kotler and Mininni, and the fact that Alipay has twice as higher MAU numbers than that of WeChat Pay's. On the other hand, available data shows that transaction volumes for WeChat Red Envelope is rising year after year, suggesting that WeChat Red Envelope is not only becoming part of Chinese people's deep curved culture, but also a sustainable business model for WeChat Pay.

Further study could include digital "Red Envelope" transaction amount produced by different parties such as Baidu wallet, Alipay, Mobile QuickPass, rather than solely focusing on the impact of Red Envelope on WeChat Pay, to have better understanding on the impact of cultural context in business. Also, since currently, Tenpay often announce aggregated data of WeChat Pay and QQ wallet, it will be important for researchers to have access to separate data of WeChat Pay and QQ wallet, for more accurate examination.

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국문 초록

중국의 모바일결제 시장:

문화적 관점으로 본 위챗페이의 성장 요소를 중심으로

김아영

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중국이 미국을 제치고 세계 최대의 모바일 결제 시장이 된 가운데, 중국 모바일 결제 시장의 많은 주도자 중 2013 년 출시 이후 폭발적인 성장을 보이고 있는 위챗페이의 발전이 특히 주목된다. 이 연구는 위챗페이의 급속한 성장과 최근 4 년간 지속적으로 폭발적인 인기를 끌고있는 위챗홍바오를 중심으로 하여 중국의 발달된 모바일 시장의 배경과 비결을 문화적 관점에서 살펴보고자 한다. 주요 결과로, 위챗의 문화적 마케팅 접근은 위챗페이의 발전에 «문화화 Culturalization», «브랜드 의식», «지속 가능성» 향상 등의 긍정적 효과를 가져온 것으로 나타났다. 이 연구 결과는 동북 아시아 지역의 다른 모바일 결제 시스템 및 비즈니스 개발자가 모바일 지불 및 기타 핀테크 비즈니스를 개선하고 개발하는데 있어 더 적합한 전략을 수립 할 수 있도록 돕는 유용한 연구로 이용될 수 있을 것이다.

연관 검색어: 모바일 결제; 홍바오; 위챗; 위챗페이; 현금없는 사회; 제3자 결제; 비즈니스의 문화적 요소

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