

# WeChat Pay Shapes Street Life in China

**FIRST RELEASED JUST SIX YEARS AGO, THE CHINESE SOCIAL-MEDIA APP WECHAT IS ONE OF THE MOST POPULAR IN THE WORLD, WITH A REPORTED 938 MILLION ACTIVE MONTHLY USERS.** It caught on as a messaging service, and has kept adding features. One has become wildly popular in ways that have attracted widespread attention: payments. Visit any Chinese city today and you'll quickly discover that the option to pay for practically anything by using a smartphone is pretty much inescapable.

The upshot is that WeChat Pay has emerged as a powerful example of a digital-payments ecosystem taking hold through a unique intertwining of mobile technology and the built environment. Along with a rival service called Alipay (offered by e-commerce giant Alibaba), it's at the center of a digital phenomenon shaped in part by the city context—and one that may, in turn, affect elements of that urban context in the future.

The general notion of digital payment is nothing new. PayPal has been around for years; your credit card details are likely on file at a slew of online retailers; a solid and growing base of users rely on Venmo to make person-to-person payments; Apple Pay has forged deals to enable smartphone payments at a number of major retailers in the United States and beyond. And so on. But while 2016 mobile payments in the United States totaled US\$112 billion (RMB 742.7 billion), the figure in China was a reported US\$5.5 *trillion* (RMB 36.47 trillion). Beyond the numbers, the sheer ubiquity of WeChat Pay and Alipay has made the smartphone-as-virtual-wallet idea more overtly visible, something woven into the fabric of city life.

Accepting payment via WeChat requires a vendor to do little more than print out a unique QR code—essentially a more advanced form of bar code—and link it to a digital account; to make a payment, a customer can scan that code with a smartphone. Pony Ma, the CEO of WeChat parent Tencent, has called the QR code “a label of

abundant online information attached to the offline world.” For sellers, there's no need for anything as complicated or expensive as the special devices a vendor typically needs to accept credit-card payments (or, for that matter, Apple Pay); anybody can print a QR code.

That's one reason WeChat Pay caught on not just with larger established businesses, but also everything from small restaurants to street vendors. “It's impossible not to use,” says Kate Austermiller, program manager for the China program of the PKU–Lincoln Center in Beijing. Skeptical at first, she now relies on WeChat Pay even for minor transactions like buying water or a piece of fruit from a vendor. “It's almost faster than fishing through my purse for cash—my phone is always in a pocket,” she says. Even buskers use it to accept “tips” via a QR code, as easily as they might collect coins tossed into a hat.

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The Better Than Cash Alliance—a United Nations–based organization focused on financial inclusion, with business, government, and other collaborating members—recently published an extensive case study focused on the rise of digital payments in China, and what that trend could mean globally. “Digital payments are very closely linked to financial inclusion,” observes Camilo Tellez, the head of research and innovation at the alliance. In China, Africa, and elsewhere, he explains, mobile payment systems have given millions of people their first direct link to the formal financial system.

To accept WeChat Pay, vendors like this Beijing grocer print a unique QR code and link it to a digital account; customers simply scan that code with a smartphone to pay. Credit: Tao Jin



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“In China it’s become really obvious that SMEs—small- and medium-sized enterprises—can really reap the benefits,” Tellez says. “Leveraging digital payment systems can actually allow them to access new forms of credit” unavailable to a pure-cash operation, he continues, and that can have a major impact on managing or even growing a business. A payment system folded directly into a social network has other advantages; the Better Than Cash Alliance report tells the story, for instance, of a hair stylist who used WeChat both to expand his customer base, and to avoid carrying too much cash when traveling among client appointments.

Because WeChat made it easy for all sorts of online vendors to use its platform (and even subsidized third-party developers to help them), users can now do anything from book a flight to pay utilities to reimburse a friend for a shared meal, without ever leaving the app. “People responded to it rapidly—it really provided a lot of

convenience,” says Zhi Liu, director of both the China program at the Lincoln Institute of Land Policy and the Peking University–Lincoln Institute Center for Urban Development and Land Policy in Beijing.

In fact, Liu confesses that while he’s not the type to jump onto the latest tech trend, this one made itself irresistible, even offline. He’d start looking around for an ATM to get the cash to, say, split a bill, and his colleagues “would just use a mobile phone and say ‘It’s done!’” Liu laughs. Pretty soon, you just get on board with everyone else. And thus the flip side: any given urban business quickly figures out that if every rival on the block accepts this payment form, it’s time to do the same.

Some country-specific factors have likely contributed to the digital-payment explosion in China. Its Internet ecosystem is distinct in part because familiar entities like Google and Facebook, among others, are essentially locked

out, and a kind of alternative universe of connected innovation has evolved. And in the case of these payment services, at least, Chinese regulators have so far allowed a fair amount of latitude for experimentation. (Current government planning around financial development through 2020 includes the specific encouragement of extending financial services to micro-businesses and low-income groups.)

And in China, digital payments arrived as an option in a fairly cash-based society—certainly compared to the deeply entrenched credit and debit card culture of the United States. (Some observers suggest that a Chinese aversion to debt makes digital payments preferable to the plastic alternative Americans in particular are so fond of.) The leapfrog from cash to digital seems to be happening elsewhere in the developing world, with the rapid rise of mobile as a driving factor. This has been amplified by population shifts toward urban centers, where job opportunities concentrate, that make the ability to stay connected with family or other contacts across physical distances more important.

WeChat isn’t the only digital payment player, or even the first, in China. Alibaba Group’s e-commerce platform dates back to the late 1990s, and evolved from a business-to-business marketplace into a variety of digital-payment

products and services that made the company a global powerhouse. Its Alipay app was early to target brick-and-mortar merchants with an offline, QR code-based payment system. But it is widely acknowledged that when WeChat creator Tencent put its payment feature on the map with a major marketing push a couple of years ago, it was a game-changer.

Cleverly, the campaign played off a tradition of making monetary New Year’s gifts of cash in red envelopes. WeChat offered a digital Red Packets promotion, and an estimated 5 million users participated—learning in an instant to associate the social network with payments. For Tencent, the payment feature isn’t necessarily conceived of as a profit center, but as another attraction keeping WeChat users locked in to a service that profits from games and advertising. The company has subsidized third-party developers to help more businesses adopt WePay, and peer-to-peer transactions are free.

The more WeChat Pay took off, the more Alipay countered with its own competitive moves. Both systems are now widely available in China—and compete with various “cashless society” promotions involving discounts or rebates—and the companies are each diving into markets elsewhere, sometimes in partnership with local players.

As digital payments have become a routine part of city life, they’re already subtly shaping it. Tellez, of the Better Than Cash Alliance, points to the effect on utility cost-recovery and toll collection, particularly in developing-world contexts; and, for even small businesses, the ability to collect and leverage useful transaction data. And as Liu points out, the broader potential of higher-level data collection is tantalizing. Clearly there are privacy-related concerns about how such data is shared and utilized. But in an academic or planning context, it may offer a window on day-to-day economic behavior that can give us a whole new way to, as Liu puts it, “understand the city.” □

A vending machine in Shenzhen accepts WeChat Pay. Credit: Nagarjun Kandukuru/Flickr



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