

## Can Mobile Payment Boost E-retail?

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The growing online shopping market in China presents opportunities for merchants to increase their revenue. However, the lack of payment options is often a barrier to purchases. Mobile phones can provide the solution.

China's retail e-commerce sales reached US\$657m in 2006 and may triple to US\$1.25bn in 2010, according to IT consultancy Analysys International. However, the lack of payment options may limit the development of online purchasing. Currently, cash remains the dominant payment method and only one person in 130 has a credit card. In addition, China has a relatively low rate of customers with bank accounts compared to other countries. With the ongoing development of mobile phone applications, the possibility now exists for customers to use their mobile phone account to make purchases online.

### How mobile payment works online

A customer is online, for example on Dangdong.com (one of China's leading e-retail sites, representing 18% of the B2C market), and wants to make a purchase. They proceed to the checkout page and enter their mobile phone number on the site, similar to entering a credit card number. But instead of sending a request for validation to the credit card company, the site sends an SMS message to the customer, who then enters their personal identification number into the phone to validate the payment request. This double validation (bi-channel authentication) makes the payment method even more secure than credit card payments, and can almost entirely eliminate payment fraud.

This payment scenario has the benefit of using existing SMS technology, which customers are already familiar with. The drawbacks include slow uptake with an older generation of customers, and the fact that it is not widespread across China or operators.

However, mobile payment provide the first real alternative for credit card payments online. Already used to pay for digital content, mobile payment may in future be used for all forms of payment or money transfer.

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