

Shaping of Digital Financial Service Trend From The Needs of Taiwanese Consumers

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In response to the swift development of global FinTech trends, Taiwan Financial Supervisory Commission (FSC) released “FinTech Development Strategy White Paper” in May 2016. The white paper encompasses and analyses FinTech’s five major facets in global developmental trends and national situation, targeting financial services, innovative R&D, talent cultivation, risk management, and infrastructure, as the directions for future FinTech promotions in Taiwan. Within the five dimensions, practical application of “financial services” and “infrastructure” are closely related to the daily life of consumers. Through “infrastructure” technology, such as mobile communication, Cloud service, Big Data, and biometrics, and “financial services” applications,



including payment, insurance, financing, crowdfunding, and investment management, financial institutions will be able to provide innovative financial products and service for consumers.

“Mobile payment” is in leading position for development. Since PayPal started the third party payment revolution in 1998, then the launched of mobile credit card reader-mPOS at so small shops without credit card reader and deliverymen could apply credit card payment system in 2010, to digital wallet, contactless payment, and mobile shopping/payment Apps in recent years, consumers are becoming familiar with these applications. During the evolutionary process of this business module, domestic non-governmental organization has referenced foreign cases and implemented various services in line with the direction of relaxed government regulations before official development strategy published. Representative mobile payment types include: the early leader NFC mobile payment, and the most popularly used mobile payment platform. NFC uses smartphone sensor to make the payment; yet it has lower penetration due to the restrictions on usage (mobile phone should be NFC-enabled, NFC incompatible devices need to install SD card with NFC chip, or attach NFC sticker on top of SIM card; iPhone can even attach NFC-enabled case). Furthermore, for mobile payment platform, Pi mobile wallet is the most widely known service. After downloading Pi mobile wallet app, first enter credit card number, expiration date, and credit card type, then finish registration. When purchasing items in the store, user can simply open the app and click on payment, key in the amount, the app will display a pair of payment codes for seller to scan, then the payment completes after scanning. Another type of mobile payment

platform allows money transaction or shared payment between friends and family. For instance, LINE Pay is the payment service of messaging app LINE; other than entering credit card information to make the payment, user may link bank accounts and transfer money to LINE Pay account, then pay with the account balance. In addition, Apple Pay is expected to launch for iPhone users in Taiwan soon. These are the payment services which may result in cannibalization in the financial industry.

In short, the benefits of mobile payment are for user to eliminate the need to take out cash or cards, simplify the process to enter card info and verify the validity of transaction, and increase the speed of payment process. Although mobile payment technology has matured and developed practical business solutions, only 25% of Taiwanese consumers are using non-cash payments according to the statistics. Why are Taiwanese consumers reluctant to change their payment behaviors? Concerning the rise of new payment method was to solve the pain points consumers encountered during payment process, the cons of paying with cash and cards comparing to this innovative payment method is negligible. At this moment, nothing could be more natural than paying with cash or cards for Taiwanese consumers. Therefore, there is lack of motivation to drive consumers changing payment method thoroughly and immediately.

Take ATM for example, it is normal to see huge lines in front of ATM machines at major cities in Europe or some Asian countries, while the scene only occurs before Chinese New Year in Taiwan. Apart from ATM installation at bank's branch offices, Taiwan convenience stores density tops world thus almost everywhere have channels for money withdrawal. As a result, the possible pain point of "money withdrawal is time consuming" for consumers in other countries does not exist because of the high reachability of ATM in Taiwan.



Moreover, in terms of market environment, mature financial and card payment systems lower the necessity of mobile payment for Taiwanese consumers. Take Kenya, a country which barely relates to mobile payment, for instance, with low national per capita income, only 10% of the population owns a bank account that most Kenyan trade in cash; yet mobile payment has become very popular as budget mobile phone massively imported. According to the Wall Street Journal, roughly 30 million own mobile phones, which is 75% of the Kenyan population; over 20 million use mobile payment for deposit, payment, commercial intercourse, or even loan. The local mobile payment service is provided by communication company instead of financial institution. Safaricom, a mobile network operator, launched M-Pesa mobile payment service in 2007. M-Pesa was favored by the locals; the system handles transactions worth \$180 billion annually, approximately 43% of Kenya's GDP.

China is another market with mobile payment in widespread use. Many Chinese consumers adopt mobile payment for daily expenses, including taxi fee, water and electric bills, or shopping in the stores.

Based on the data released by China government, there were 3.58 billion mobile payment users nationwide in 2015, which was half of the internet population, with year-on-year growth rate of 67%. In fact, the development of card payment in China market was falling behind other Asian countries. Majority of people had little experience toward credit card payment, especially consumers in second and third tier cities; because of low card payment stickiness, and rapid popularization of budget smartphone, mobile payment won consumers' hearts once it was launched.

However, what differs Taiwan from these two markets is the high acceptance of a variety of card payments in retail channels. With credit card, debit card, Easycard...etc. in hand, consumers can make a payment at department stores, supermarkets, convenience stores, night market stands or take public transportations. Thus, there needs a greater incentive for Taiwanese to replace card payment with mobile payment.

Another main purpose for FinTech development is to provide a more convenient user experience, and using "biometrics" in the payment process is the best way to achieve the goal. It not only simplifies the process of information registration, but also increases the speed of identity verification. The most widely used biometrics on the market is fingerprint authentication. Withal, fingerprint is



easy to copy. Therefore, biometrics with higher security, such as, 3D face, iris and vein recognition, has become the focus of vigorous development for vendors. The advantages of vein recognition include vivo recognition, good recognizability, hard to copy, and not affect by aging nor high blood pressure. The technology has already been used as ATM withdrawal verification method in many banks worldwide. The market share of vein recognition ATM has exceeded 80% in Japan; Barclay has provided vein biometric authentication to identify customers since September 2014.

According to market research data, Taiwanese consumers are willing to use biometrics authentication. For ID verification in mobile payment services, 70% prefer fingerprint authentication during transaction, while 30% prefer traditional passcode. Taiwanese people agree on the advantages of biometrics, for its difficulty to copy and steal fingerprint, more convenient than enter passcode, as well as eliminate worry to forget passcode. Yet, biometrics authentication for banking industry in Taiwan is still at the early stage; only CTBC Bank has announced to adopt finger vein authentication solution for over a hundred ATMs this year. Nonetheless, even though biometrics authentication has several strong points, it still needs to solve the problems in how to collect and store customers' personal data, for instance, the bank needs to gain trust from customers to store fingerprints, iris patterns, and other personal data. There is still a long way to go in the short-term for financial industry if they want to fulfill consumers' needs and expectations.

The word FinTech explains literally that the application of “technology” has a tremendous role in this financial service revolution. Digitalized and non-cash transaction environment is a financial development trend that will not go backwards. However, there is an advertising slogan, “Technology always comes from human nature”. “People”, as known as consumers, matter the most to financial market. If consumers’ needs and expectations cannot be fulfilled, even the most advanced financial technology is seen as useless. Especially since the development of modern society is more diversified, the demand and preference for every customer segments have become divergent, and it is crucial to understand the thread of thoughts behind different customer



segments’ behaviors. For instance, as for LINE Pay, its unique shared payment feature for friends and family is a convenient tool for youngsters to separate checks after dining together; but for elderly people, they often stand their hands in turns without the need to separate checks, therefore, the applicability of this shared payment feature is relatively low and less appealing to them to continue using.

As a consequence, when probing with financial innovation, local financial industry should make changes as local customs change and precisely comprehend the living requirements for customers with different backgrounds, thenceforth to provide financial products and services that can truly create a pleasant life experience that customers are loyal to.

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