

E-payments, e-wallets and the future of payments

Ho Chi Minh city, 19th April 2019



Content

▪ Introduction	3
▪ Market overview	7
▪ E-payment use	14
▪ E-payment experience	23
▪ E-wallet deep-dive	34
▪ Who will win	47

Introduction

Research approach

Interviews were conducted using computer assisted telephone interviews in quarter 1 of 2019.

- **Main sample:** 18-55 yrs. Live in HCMC and Hanoi. Monthly household income: above VND9,000,000. Quota set accordingly to represent the population.
- **Multiple payment methods booster sample:** who transacted using any non-cash payments in the past 3 months.
- **E-wallet booster sample:** who use an e-wallet in the past 3 months.

Profile		Main sample	Multiple payment methods booster sample	E-wallet booster sample
		204	300	221
Gender (%)	Male	46%	42%	47%
	Female	54%	58%	53%
City (%)	HCMC	50%	50%	56%
	Hanoi	50%	50%	44%
Age (%)	18-24	18%	28%	27%
	25-34	37%	41%	50%
	35-44	37%	23%	21%
	45-55	8%	8%	2%
Economic class (%)	A	28%	28%	35%
	B	30%	33%	28%
	C	42%	39%	38%

Abbreviation

- Non-cash payments: transactions via debit or credit card, banking mobile app or e-wallet
- P3M: past 3 months

Economic class	Monthly household income
C	9,000,000 - 10,000,000 VND
C	10,000,000 - 12,000,000 VND
C	12,000,000 - 14,000,000 VND
B	14,000,000 - 16,000,000 VND
B	16,000,000 - 18,000,000 VND
B	18,000,000 - 20,000,000 VND
A1	20,000,000 - 30,000,000 VND
A2	30,000,000 - 40,000,000 VND
A3	40,000,000 - 60,000,000 VND
A4	60,000,000 - 80,000,000 VND
A5	Above 80,000,000 VND

Product groups covered in the study

Bank cards



Product groups	Explanation / examples
Debit card	A debit card stores your money. You can use that amount of money to pay for goods and services. An ATM card is a type of debit card that enables you to access automated teller machines.
Credit card	A credit card enables the cardholder to borrow pre-approved funds to pay for goods and services.
Mobile banking app	A bank service which has the format of a mobile application. It's used for: managing your account, transferring money, or paying bills.
E-wallet	An online account which has the format of a mobile application. It's used for: paying online and transferring money. Can use with or without a bank account.

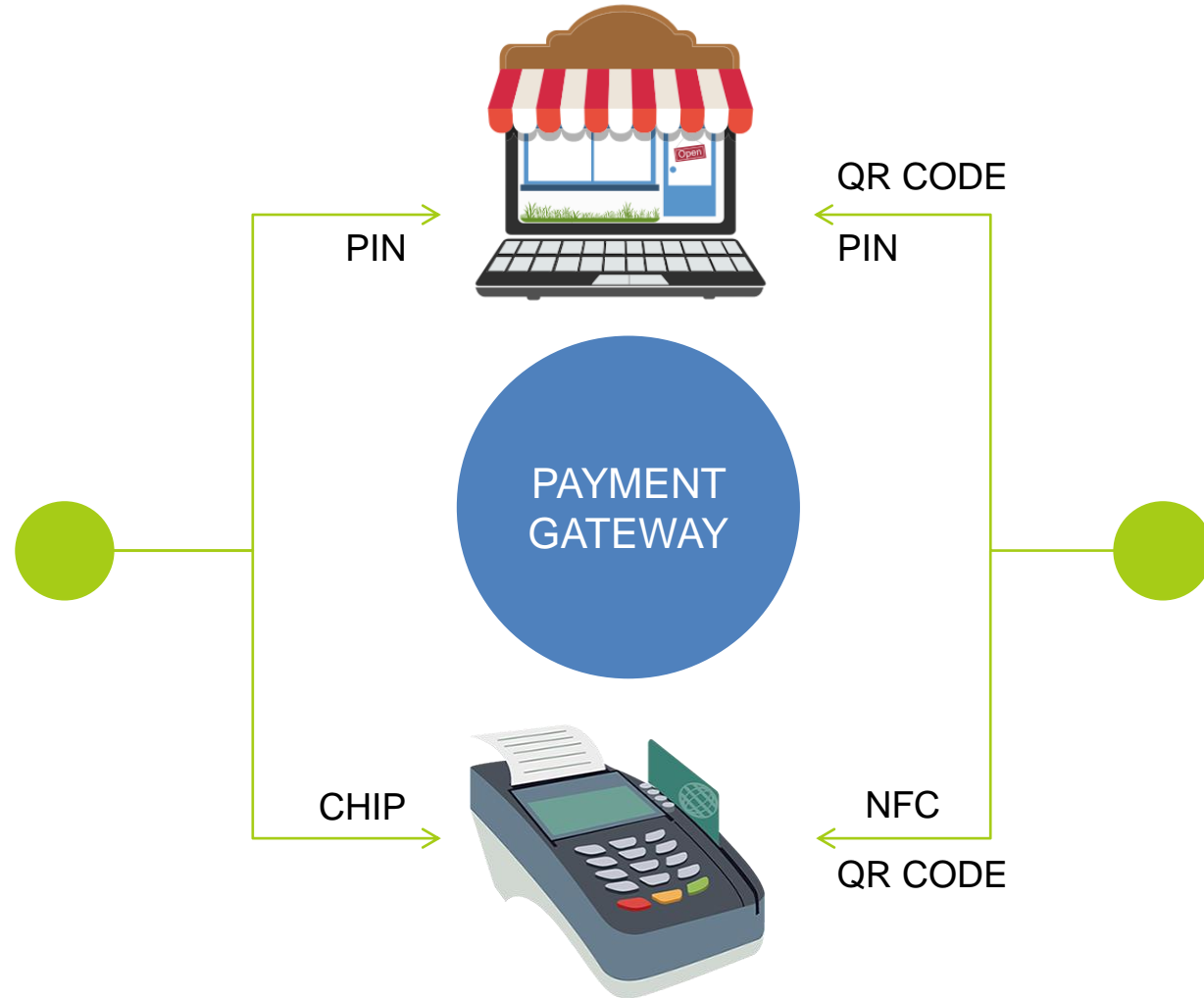
Mobile payments



Market overview

Non-cash payment methods

Bank card



E-payment



Business model in Vietnam e-payment market

E-wallet

An e-payment service that allows users to make online payments via an e-wallet account.

Users do not need to have a bank account in advance.

Mixed model

A mixed business model where the company will provide both e-wallet and payment gateway services.

Payment gateway

An e-payment service platform that offers electronic portals to enable online payment processing via bank accounts.

Users need to have a bank account in advance.

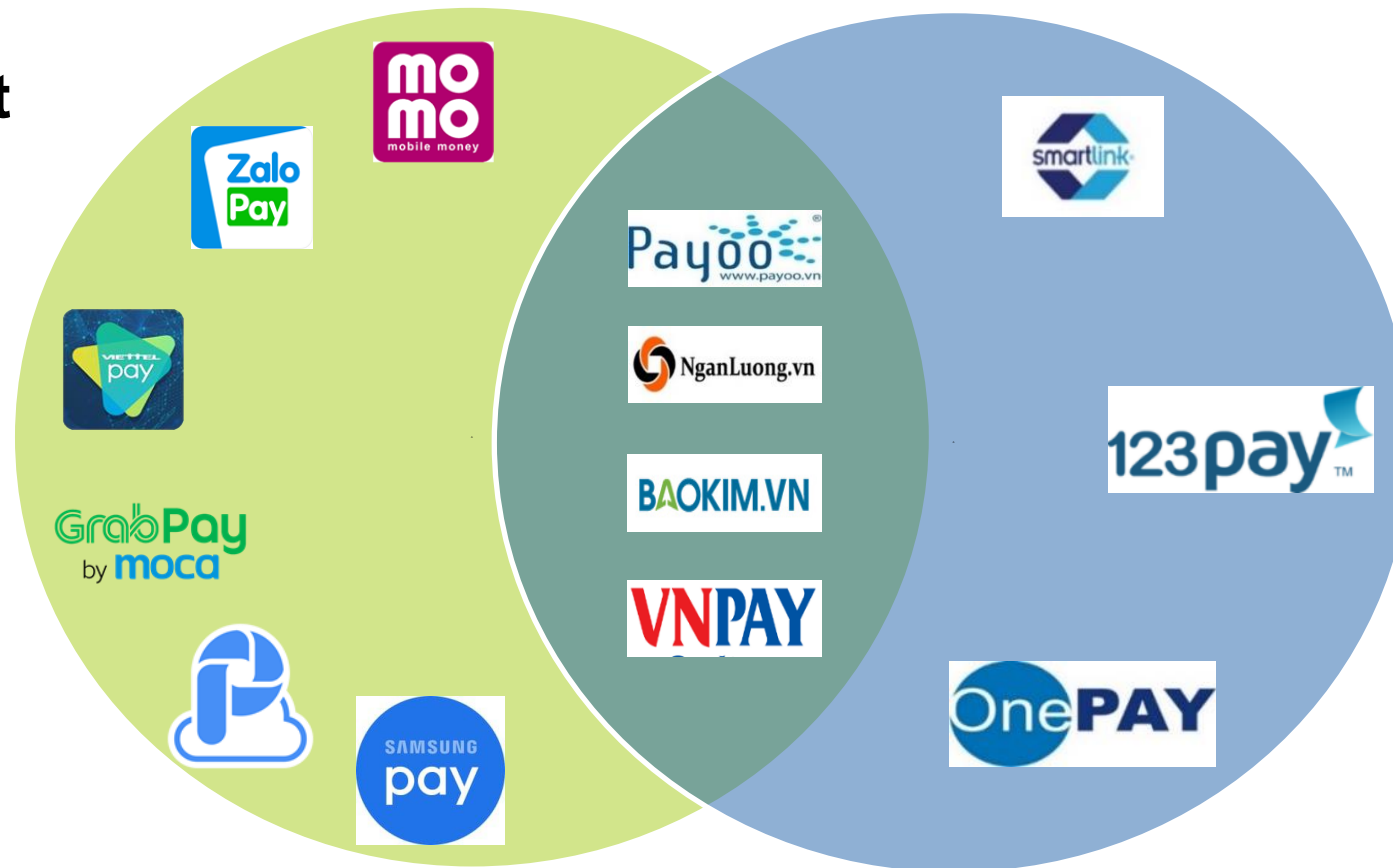
- Income is generated through commissions collected from merchants, charging users service fees when they conduct online transactions and payments through e-wallet or payment gateway platforms.
- Most key players have access to a wide customer base either through: (1) Pre-established online presence through other developed platforms or (2) Partnerships with other large corporations.

Key players in e-payment sector

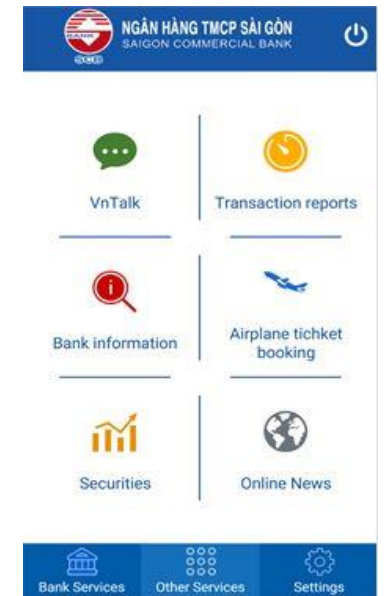
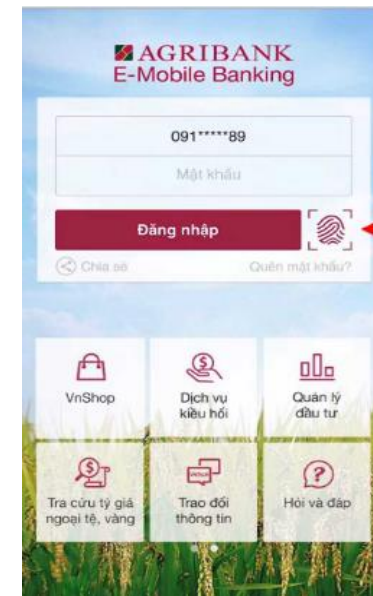
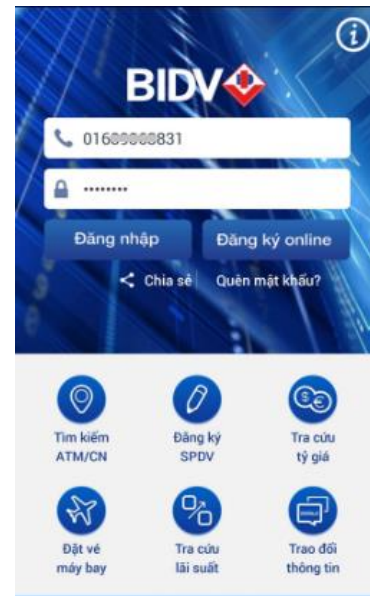
Mixed model

E-wallet

Payment gateway



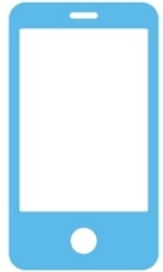
Banks launch own applications



Opportunity for e-payments



Internet usage in Vietnam has reached 67%. Internet economy reached US\$9 billion in 2018, accounting for 3.8% GDP.



85% smartphone penetration amongst adults 15+.



Proactive support from the government creates favorable conditions to foster and develop supply side e-payment services in Vietnam.

Cash habit and COD model seem to be the barrier



People do not always trust financial institutions data privacy and transaction security.

Secrecy and the avoidance of transparency with authorities.

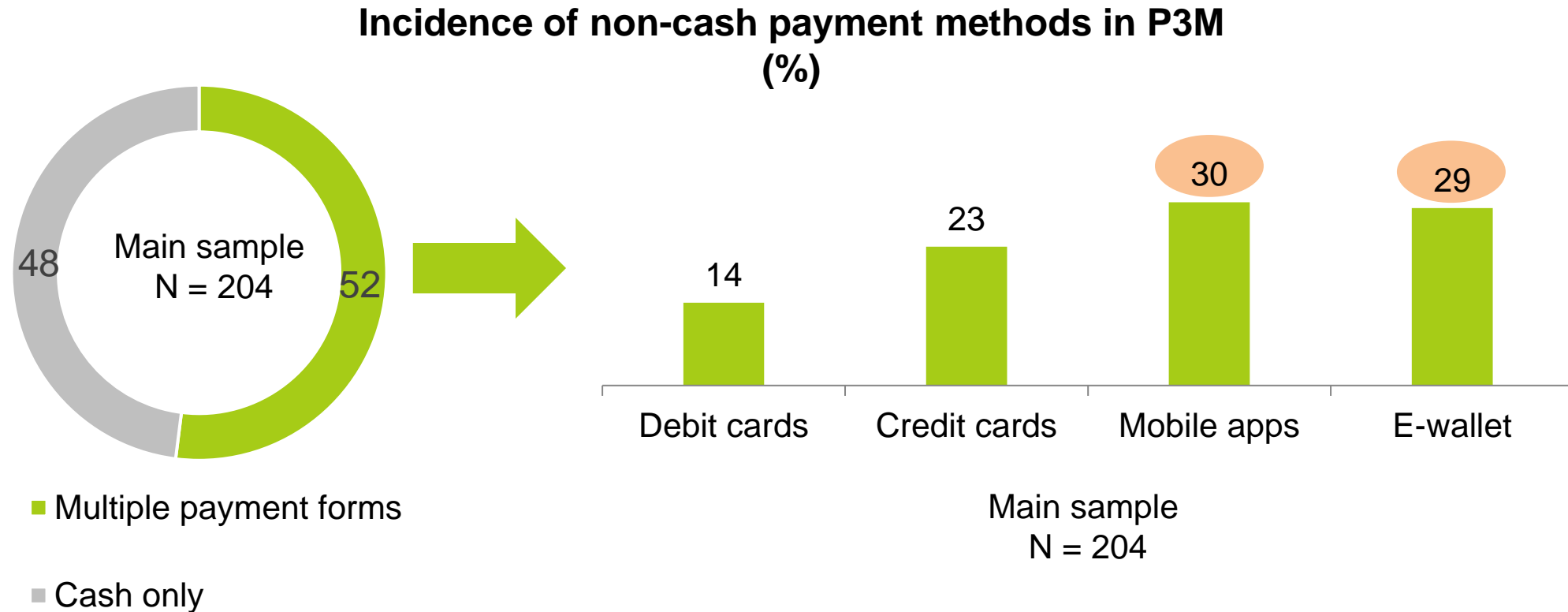
It is difficult for cash users to transition to digital methods of payment, as it is a new experience for them.

At home cash collections (utilities) and cash on delivery (e-commerce) already work efficiently and conveniently for consumers.

E-payment usage

Half of the main sample had settled payments using non cash methods

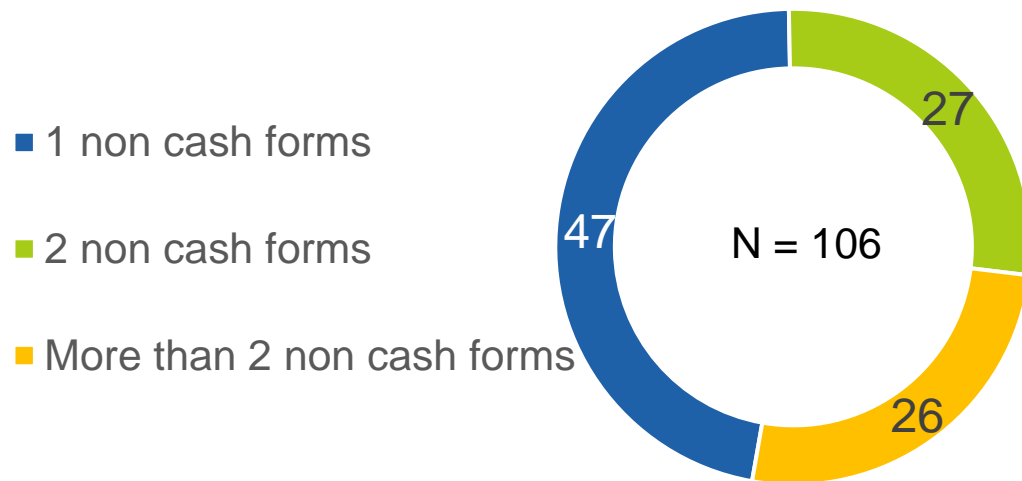
- 3 in 10 use e-payment – a banking app or a wallet.



Multiple payment method users: half use 2 or more non cash methods together

- 1 in 3 use both mobile banking app and e-wallet.

Number of non cash methods used in P3M (%)

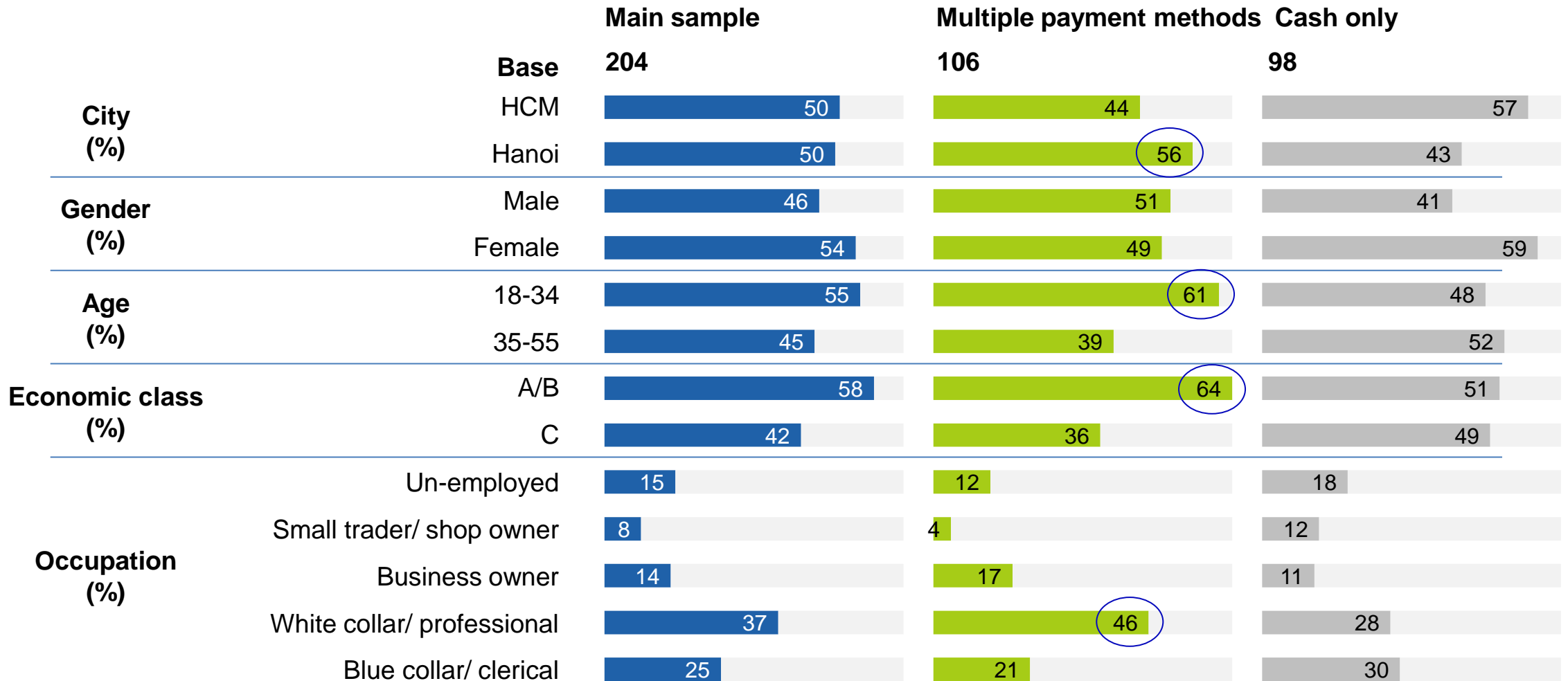


Non cash methods used together (%)

N = 106	Banking app	E-wallet	Credit card	Debit card
Banking_app	-	31	24	21
E-wallet	31	-	21	13
Credit	24	21	-	17
Debit	21	13	17	-

Base on multiple payment form users N = 106

Multiple payment method users are skewed to Hanoi, younger, white collar/professional jobs and have higher income.



Exploring non cash payment methods

- To explore non cash payment behaviours, Cimigo conducted a booster sample for those who settled their transaction types by any non cash methods in the past three months (P3M).
- **Sample size:**
 - N = 300
- **Criteria:**
 - 18-55 yrs.
 - Live in HCMC & Hanoi.
 - Monthly household income: above 9,000,000 VND.
 - Settled any non cash transactions in the past 3 months (P3M).
- **Quota set accordingly to represent population.**

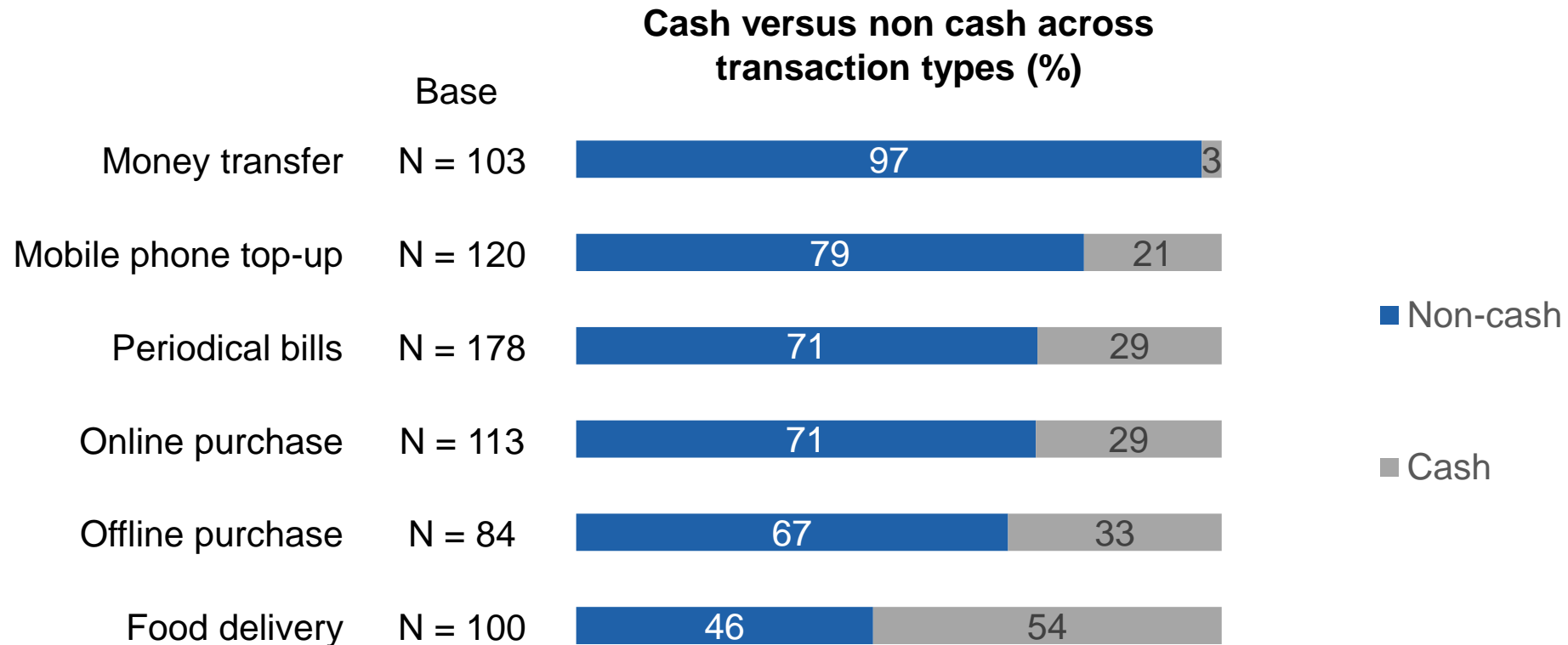
Common transaction types that could be settled via non cash

- Using a list of common transaction types that could be settled, respondents were asked what they had used in the past 3 months. The transactions are grouped to gain adequate sample sizes for analysis.
- Looking at online purchase as an example: We found 113 respondents who had purchased online in this sample. The activity could include online entertainment, shopping on e-commerce platforms or hotel bookings.

113	Online purchase	84	Offline purchase	178	Periodical bills
	<ul style="list-style-type: none">• Online entertainment; games, movies, videos and music bills• Online shopping bills (from e-commerce companies, e.g. Lazada, Tiki, Shopee...)• Online shopping bills (from personal or individual shops on Facebook)• Online travel, flight or hotel booking bills		<ul style="list-style-type: none">• Services bills at restaurants/ coffee shops• Shopping at malls, supermarkets, convenience stores		<ul style="list-style-type: none">• Water bills• Electricity bills• Internet, TV cable bills• Post-paid phone bills• Consumer loans bills
103	Money transfer	120	Mobile phone top-up	100	Food delivery

Money transfers are the most common transaction people settle via non cash methods.

- Amongst those who topped up their mobile phone in the past 3 months (P3M), 8 in 10 settled via non cash methods. For periodical bills (e.g. utilities) and online purchases, 7 in 10 people settled via non cash in the past 3 months (P3M).



Respondents were asked specifically how they settled their transactions

Debit cards

Credit cards

E-wallet

Banking app

Bank transfer

➤ Online:

- People can use their debit cards (with internet banking) to pay the supplier or service provider. This can be settled on the suppliers or service providers platform (website or app).
- The process is choose payment option, then enter card number and pin code.
- A token is sent to their phone, which they have to enter-to submit the payment.

➤ Offline:

- People can use their bank cards to pay via POS at a café, restaurant, supermarket, convenience store or home collector.
- Signature will be required to finish the payment.

➤ In-app purchase:

- The app offers a wide range of payments built- in. Most common are money transfers, mobile top-ups, utility bills, tickets, food deliveries etc.

➤ Accepted in other platform:

- Some e-commerce platforms had the payment options linked to e-wallets or banking apps.

➤ Directly at stores:

- They could be used to pay directly at some stores, cafés, restaurants, super markets or convenience stores etc.
- The QR code or NFC tech supports these type of payments. The QR codes are generated by the cashier or stuck on items. Customers use their e-wallet app to scan those codes and settle the transactions with the app. Or with NFC tech, they can tap their phone on the POS to pay.

➤ Online:

- Via internet browser, people can access their bank website and transfer money to the supplier or service provider to purchase things.

➤ Offline:

- People come to the physical bank.

Standing order to bank account

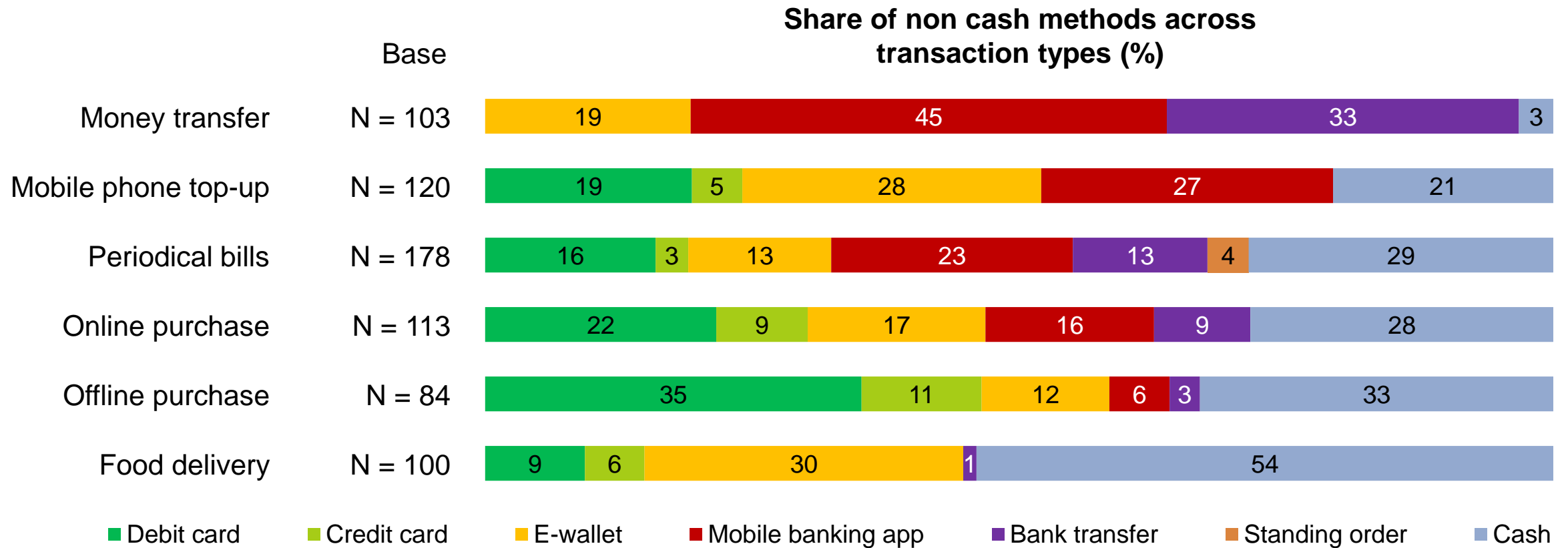
- For some services or products, customer can register to get payment credit sent directly to their bank account periodically.

By cash

- People pay cash directly at the supplier location or cash on delivery

Payment methods by transaction type

- Amongst those who had money transferred in P3M, nearly a half settled via a mobile banking app. E-wallet has the highest share of mobile top-ups. More than a half of offline purchases are settled via bank cards.



E-payment experience

Cimigo applied correspondence analysis to understand customer's perception towards non-cash payments methods

- The list of attributes for respondents to match with non cash payment methods included:
 - Simple registration process
 - Design of mobile application (clear and easy to use)
 - Wide range of payment categories (water, electricity, transportation ticket...)
 - Competitive fees
 - Fast payment process
 - Simple payment process
 - Large network of branches / agents (which enable cash/cashless transferring)
 - Easy to deposit cash into account and vice versa
 - Large network of acceptable places (restaurant, coffee shop, convenience store)
 - Safe and high security (SMS notification, OTP code...)
 - Reputable Brand
 - Widely used
 - Stable system
 - Professional customer care system
 - Fast and simple claiming process
 - A lot of sales promotion, special deals

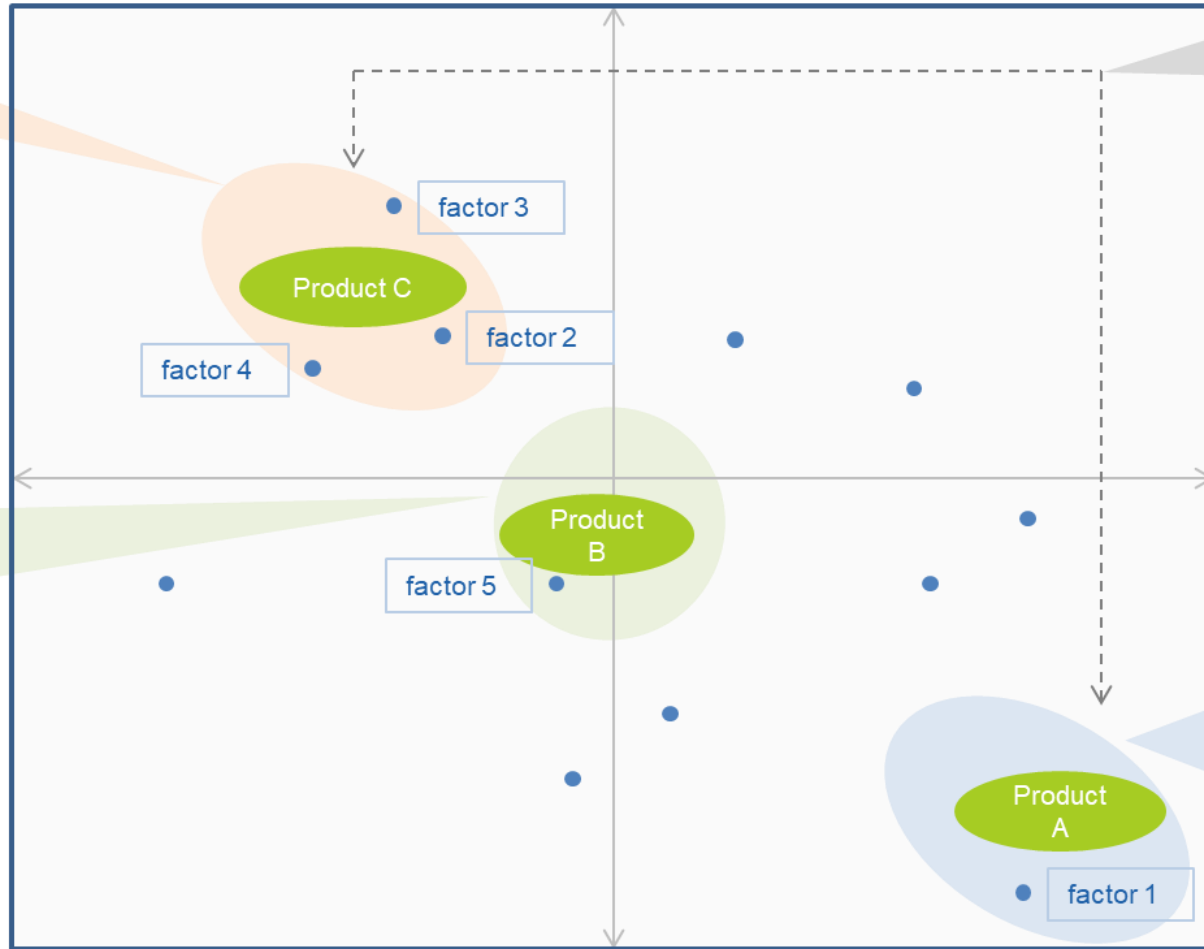
The result is visualized as a perceptual map with the following instructions

Factors which are similar across most brand appear close together on the map.

Factors and products which has negative correlation tend to appear in the opposite quadrant of the map

Factors or brand appearing close to the center, and close to many factors are implied that they are not distinctive because they are associated with too many things

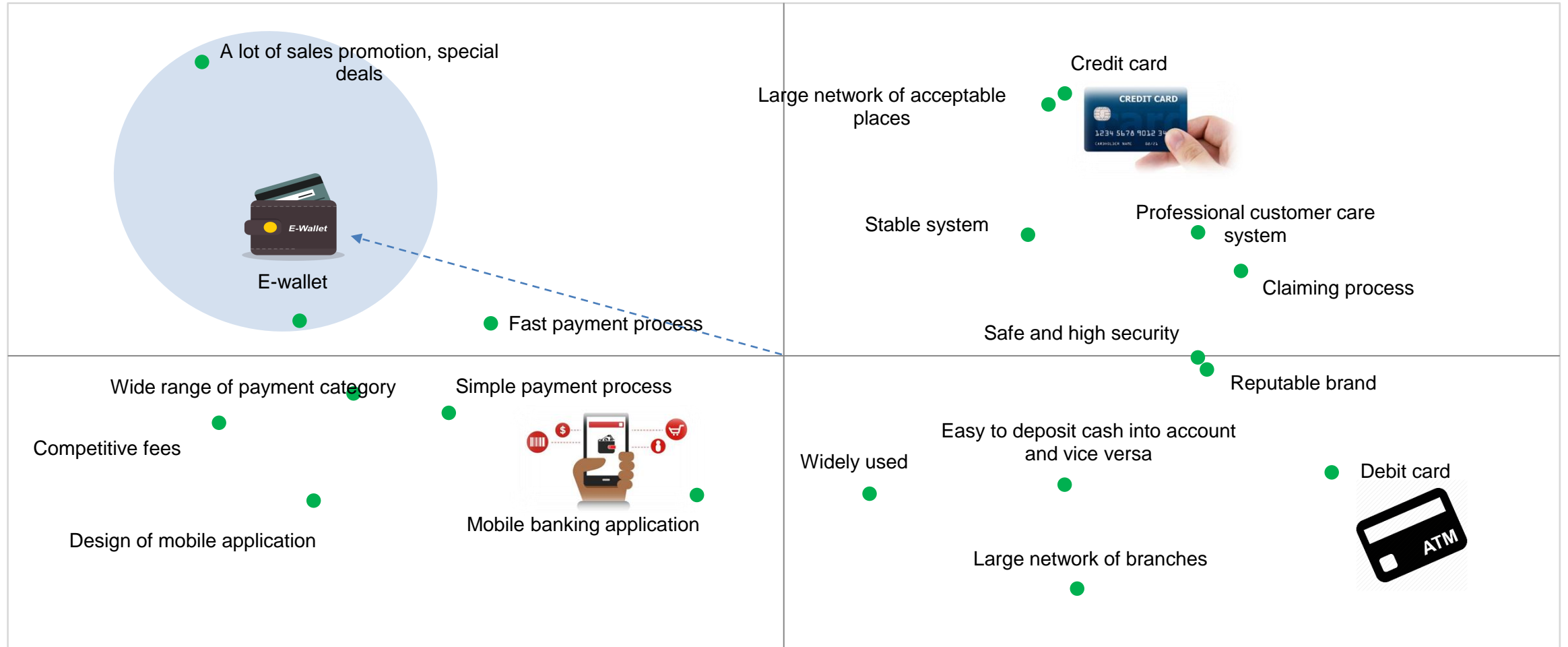
Factors or brands which are on the edge are more distinctive or discriminating than those closer to the centre. This means that people have a strong opinion about those factors and brands



E-wallet is strongly associated with promotion and special deals

Perception towards non-cash payment methods

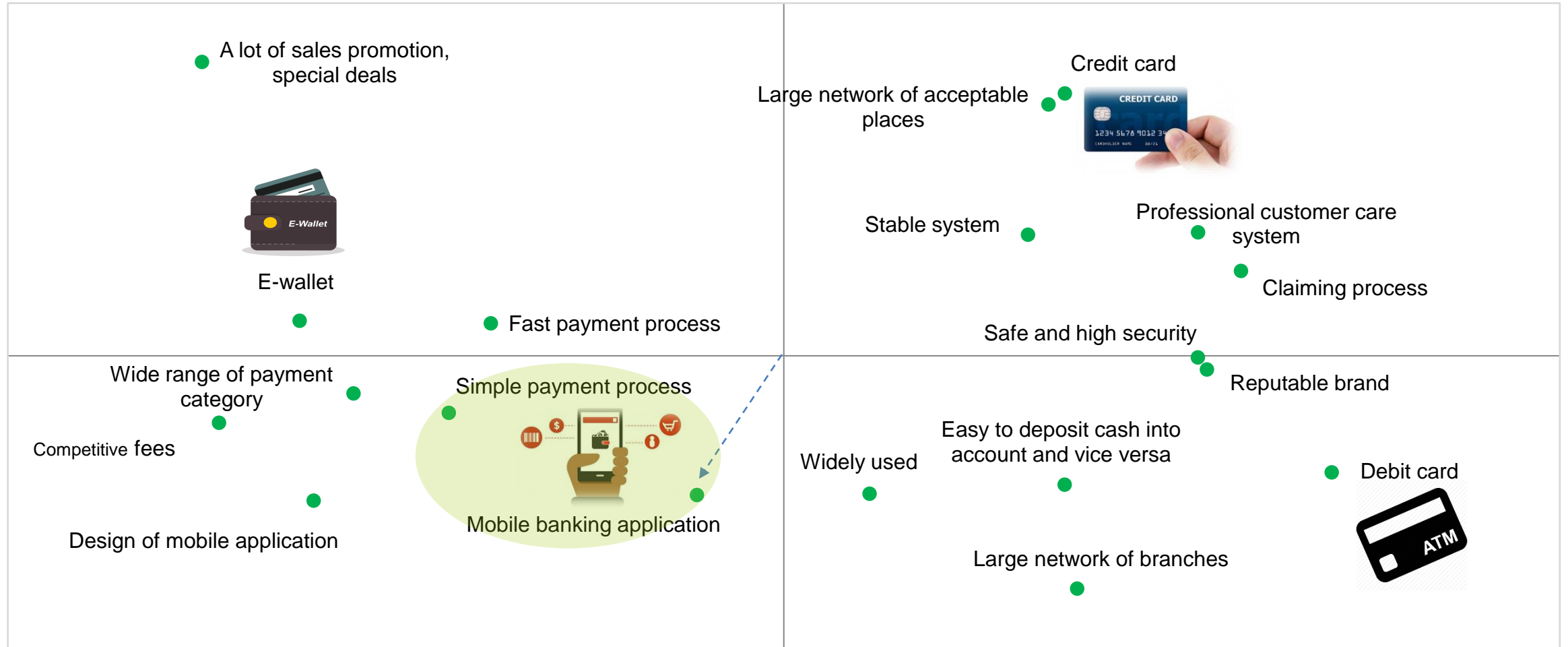
Base on who settled any non-cash payments in P3M N = 300



Mobile banking app is associated with simple payment process

Perception towards non-cash payment methods

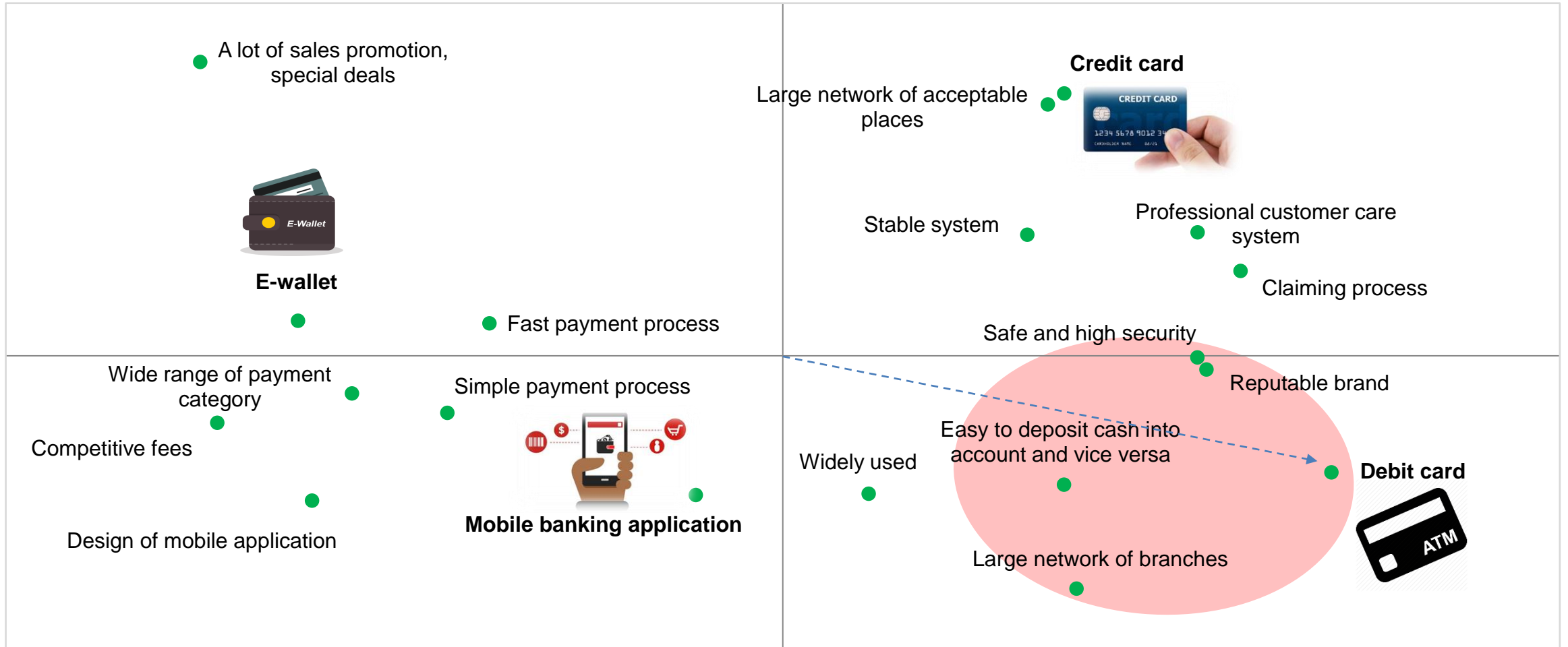
Base on who settled any non-cash payments in P3M N = 300



Debit card stands for large network of branches and a strong reputation

Perception towards non-cash payment methods

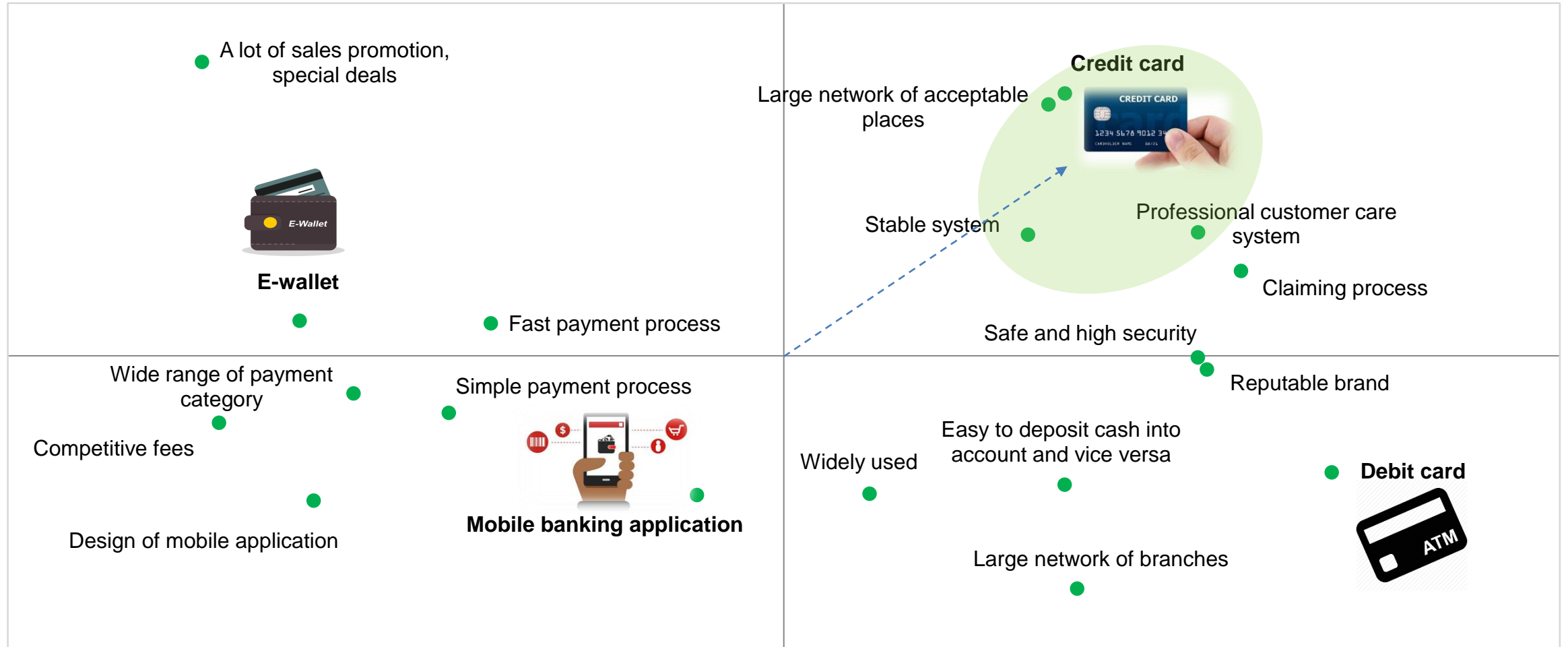
Base on who settled any non-cash payments in P3M N = 300



Credit card is strongly associated with a large network of accepted places

Perception towards non-cash payment methods

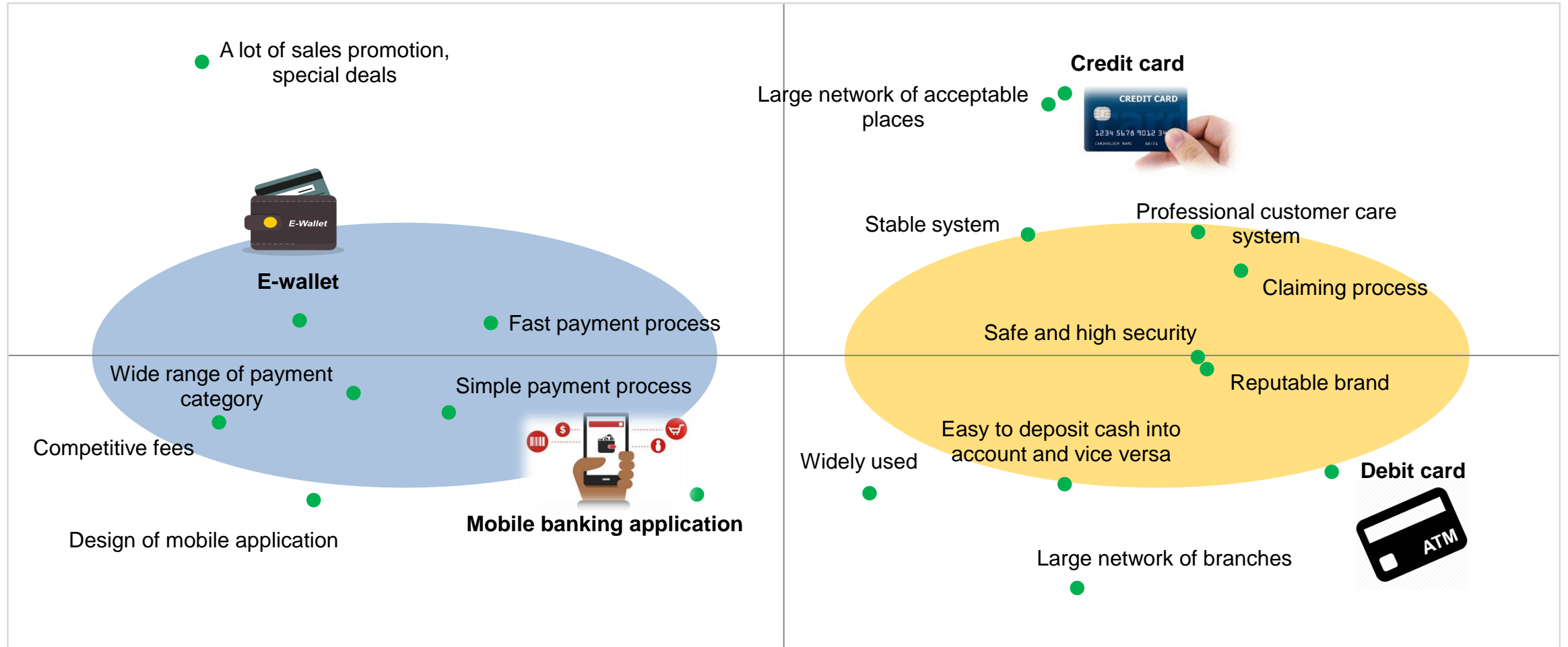
Base on who settled any non-cash payments in P3M N = 300



E-payment is perceived as fast, simple and cheap. Bank cards stand for good reputation, large networks and a stable secure system.

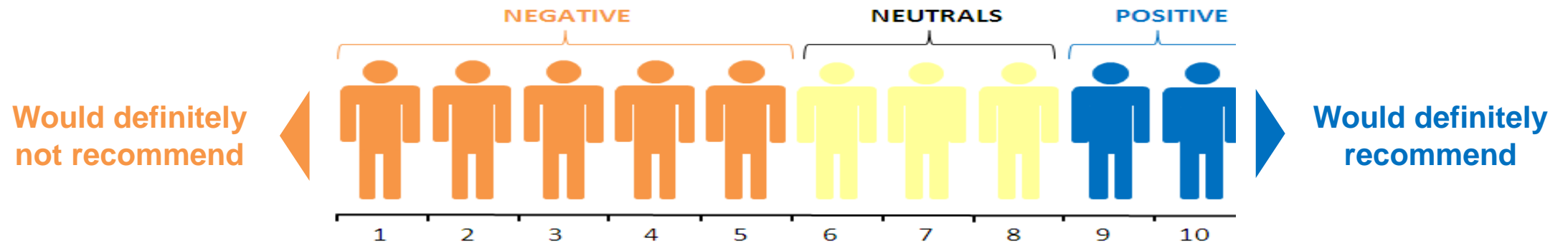
Perception towards non-cash payment methods

Base on who settled any non-cash payments in P3M N = 300



Cimigo used a Net Promoter Score (NPS) to evaluate customer loyalty

- With a 10 point scale, respondents were asked how likely they would recommend their most often used bank cards, mobile banking application or e-wallet to other people:



- Calculation: Net promoter score = % Positive - % Negative

E-wallet far outperforms other methods on the Net Promoter Score

- When being asked for the most satisfying aspect experienced from e-wallet, half of e-wallet users mentioned the simple process and then the promotion.

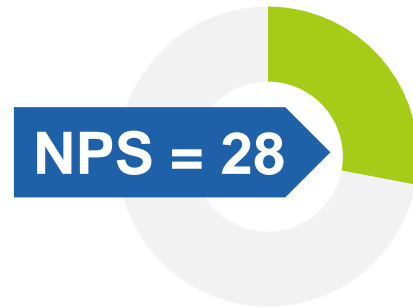
Mobile Payments



E-wallet
N = 116



Mobile banking app
N = 226



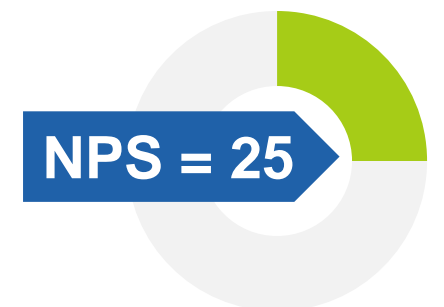
Credit card
N = 74



Bank cards



Debit card
N = 129



Spontaneously, people complain about fees and the registration process involved with non-cash payments with banks

- E-wallet has a lack of professional customer care service. Frequent errors or system instability are also a common complaint about e-wallets and mobile banking apps.



Debit cards
N = 129

- The process of registering is complicated.
- There are too many steps in the payment process.
- They should reduce the transaction fee.



Credit cards
N = 74

- It requires many documents for the registration.
- It has a high annual fee.
- Staff should explain the policy more clearly.



Mobile banking apps
N = 226

- It is not versatile, it has few in-app utilities.
- Errors often occur.



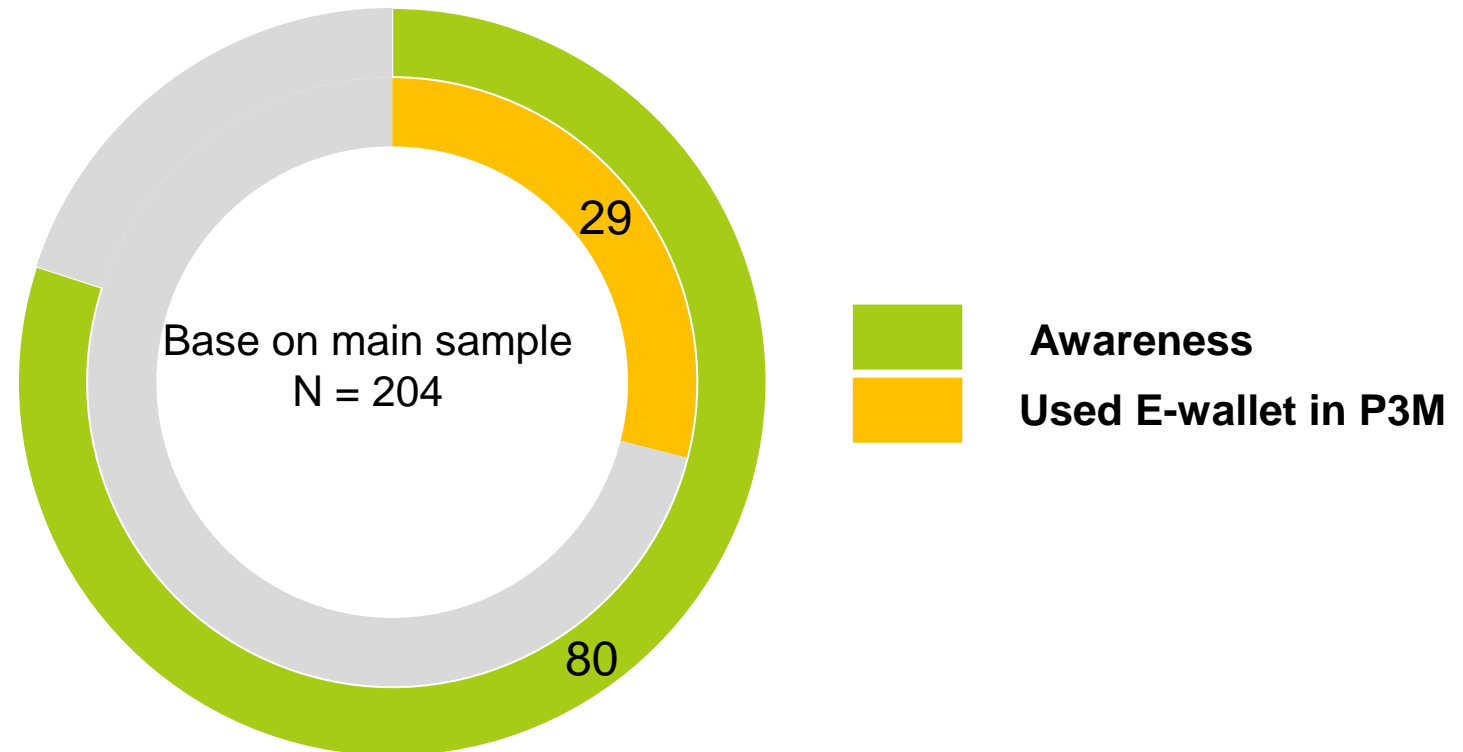
E-wallets
N = 116

- Unprofessional customer care service.
- The system is unstable.

E-wallet deep dive

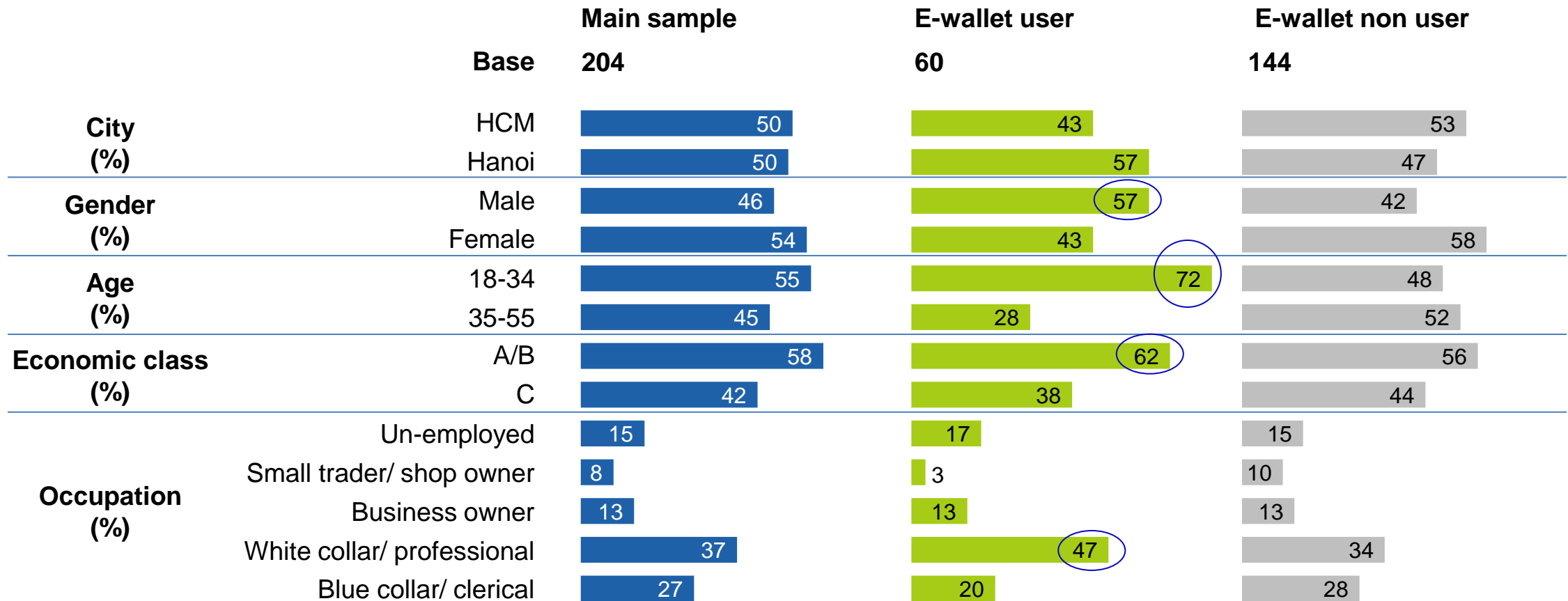
3 in 10 settled their transactions via e-wallet in the past 3 months

E-wallet awareness and usage in past 3 month (%)



E-wallet users are young, mostly from 18 to 34 years old.

- Skewed towards males, as well as a higher household incomes. Half of e-wallet users have white collar or professional occupations.

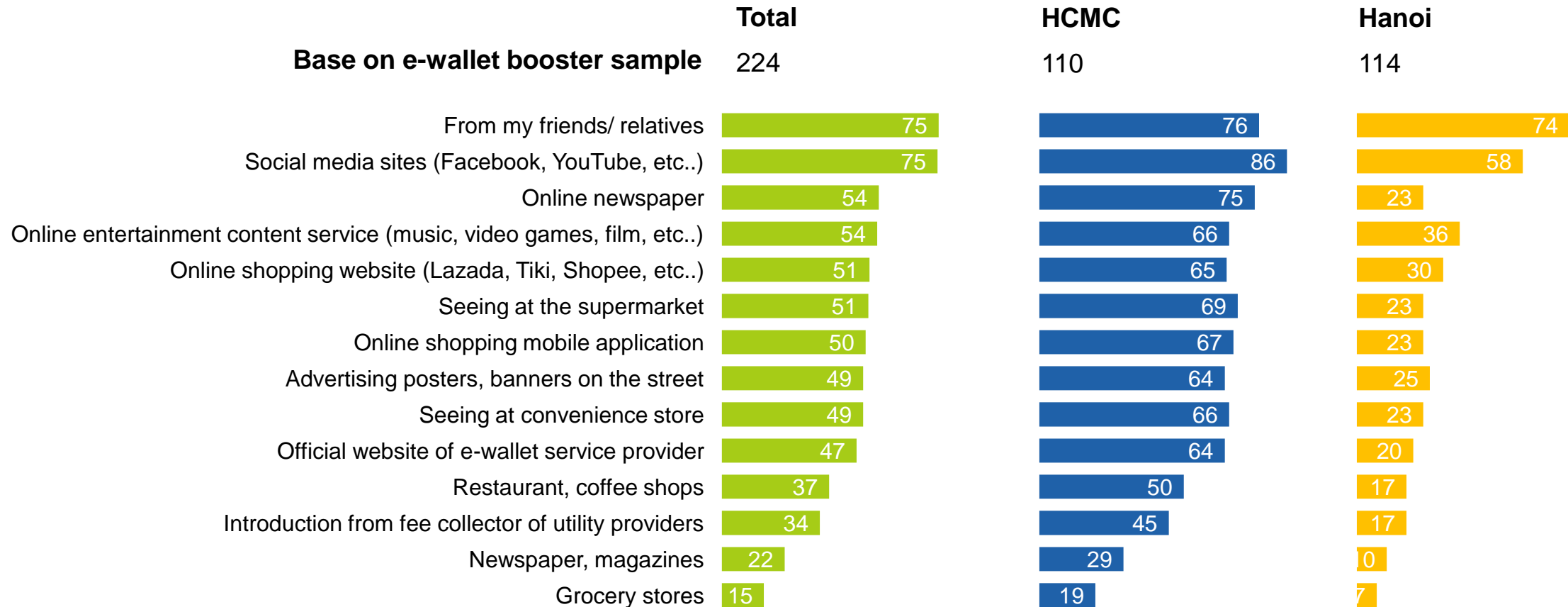


Cimigo conducted a booster sample to deep dive into the e-wallet sector

- **Sample size:**
 - N = 224
- **Criteria:**
 - 18-55 yrs.
 - Live in HCMC & Hanoi.
 - Monthly household income: above 9,000,000 VND.
 - Settled any transactions via e-wallet in the past 3 months.
- **Quota set accordingly to represent population.**

WOM is the key source of information

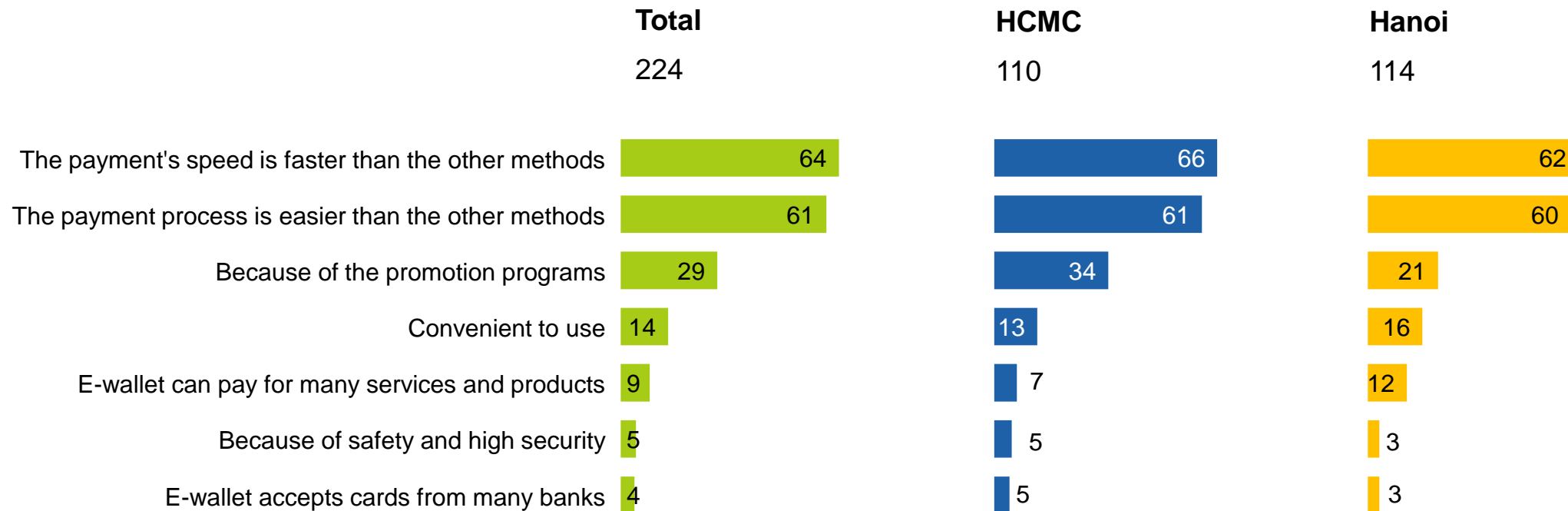
- Social media and online newspaper play the more important role in HCM whilst users in Hanoi are aware of e-wallets from online entertainment content or shopping websites.



Fast and easy to pay are the key triggers for using e-wallet

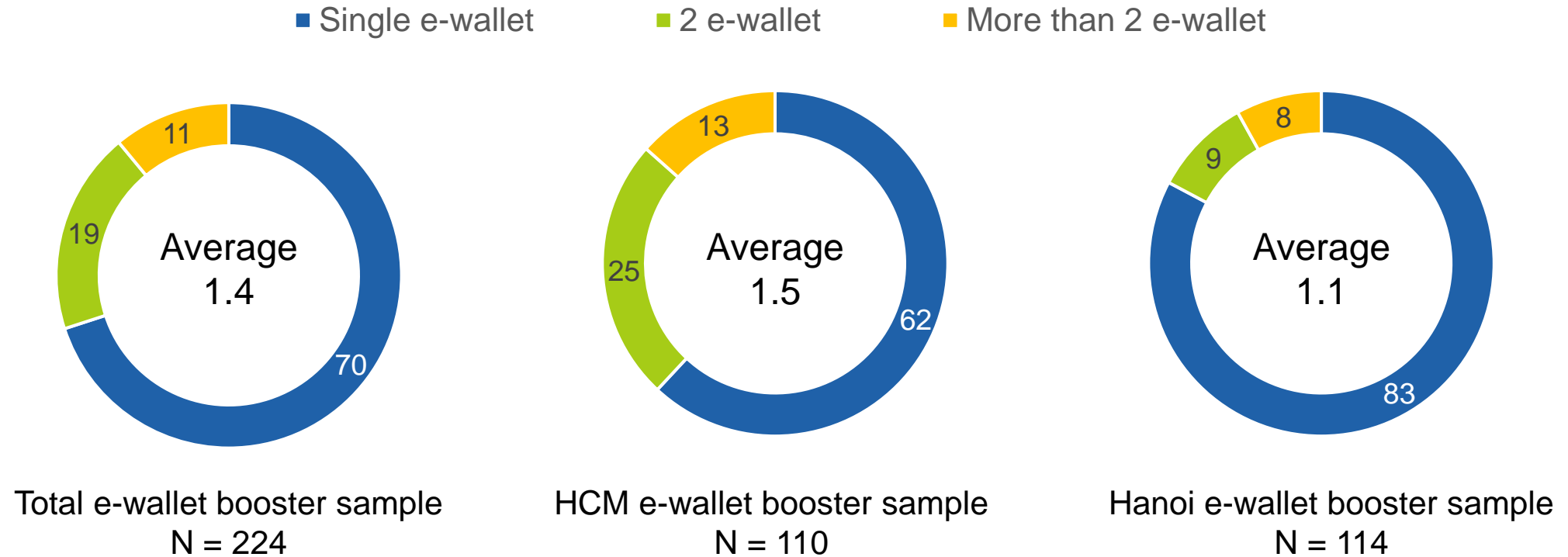
- HCM users are more likely to be motivated by promotions.

Motivation to use e-wallet (%)
Base on e-wallet booster sample



3 in 10 currently use multiple e-wallets

- HCMC users are more likely to use multiple e-wallets than Hanoi users.

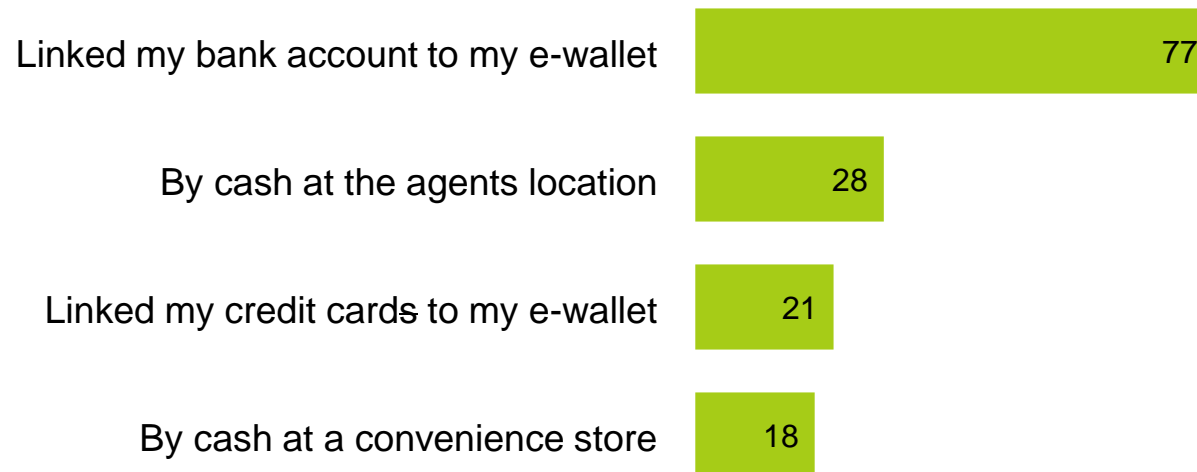


Linking e-wallet to bank accounts is the most common way to top-up credit

- 1 million VND is the average amount that users top up their wallets. Most users top up below 2 million VND into their e-wallets. More than a half below 500,000 VND.

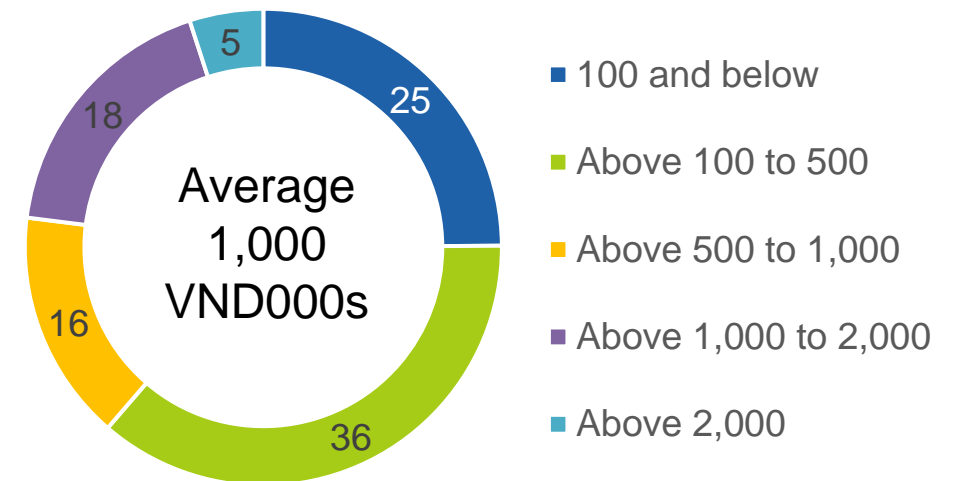
How to top-up e-wallet (%)

Base on e-wallet booster sample N = 224



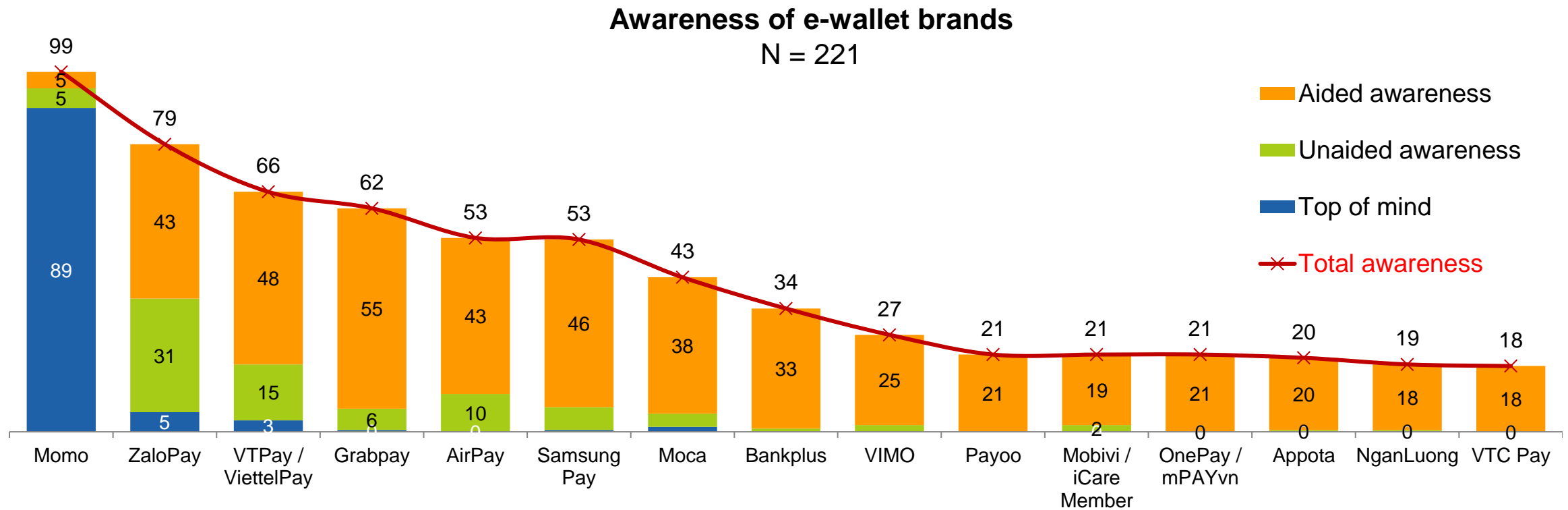
Top-up amount (VND000s)

Base on e-wallet booster sample N = 224



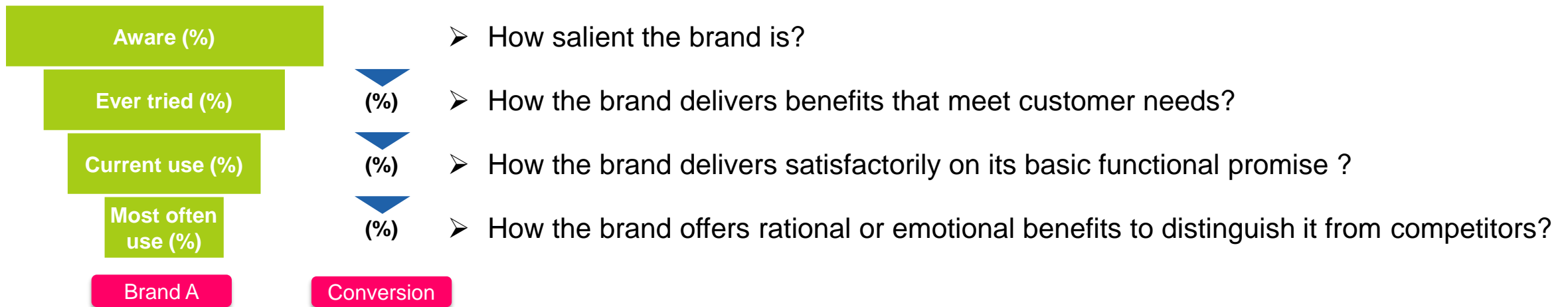
E-wallet market finds Momo dominating consumer minds, with a 9 in 10 top of mind awareness

- 3 in 10 recall Zalo Pay spontaneously. VTPay (Viettel Pay), Grabpay and AirPay are in the top 5 in terms of total awareness.



E-wallet brand performance

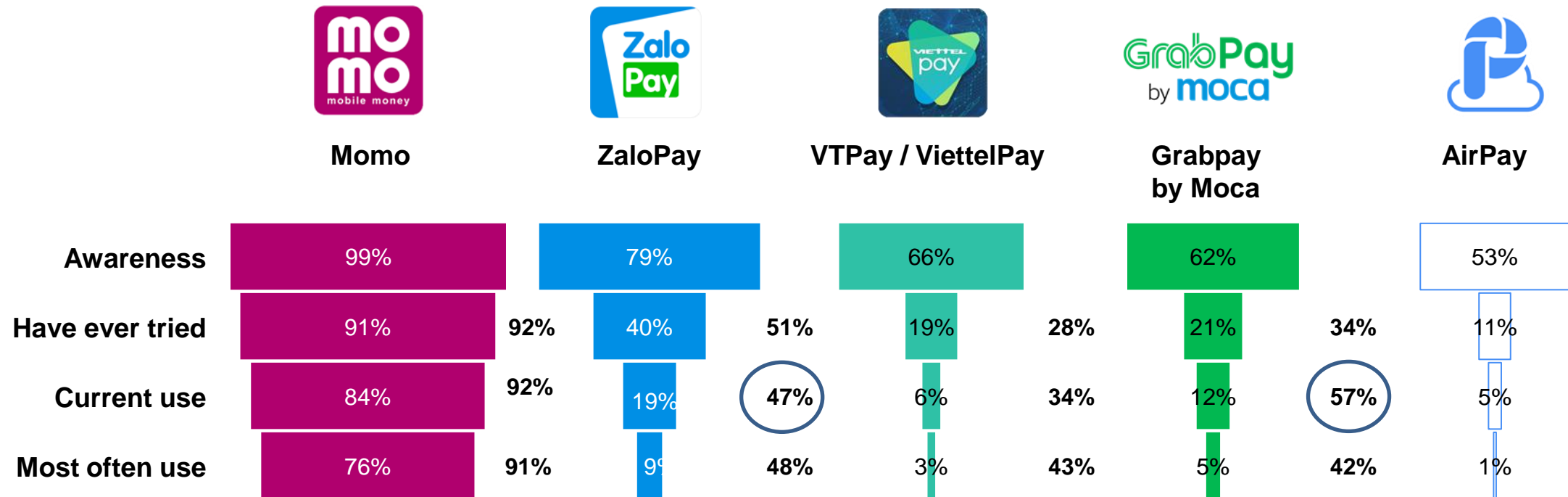
- Cimigo used a brand funnel to evaluate the performance of e-wallet brands from salience to their usage. A set of questions is set up to ask the respondent:
 - What e-wallet are they aware of?
 - What e-wallet have they tried?
 - What e-wallet are they currently using?
 - Which e-wallet are their most often using?



Momo is not only salient but also gets the highest share in e-wallet sector

- Zalo Pay is well recalled and reaches more people, but Grabpay is doing better to keep users staying with their app.

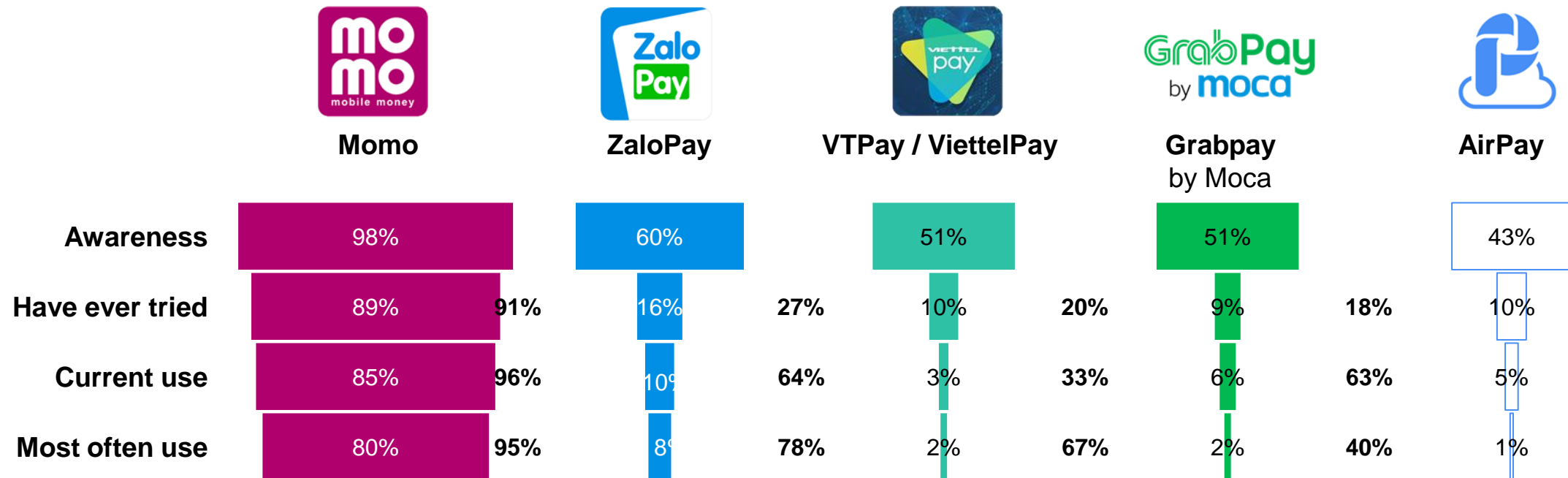
Top 5 e-wallet
Base on e-wallet booster sample
N = 224



Except Momo, e-wallet brands have a low conversion rates from awareness to trial and use in Hanoi

- Momo almost dominated the Hanoi market.

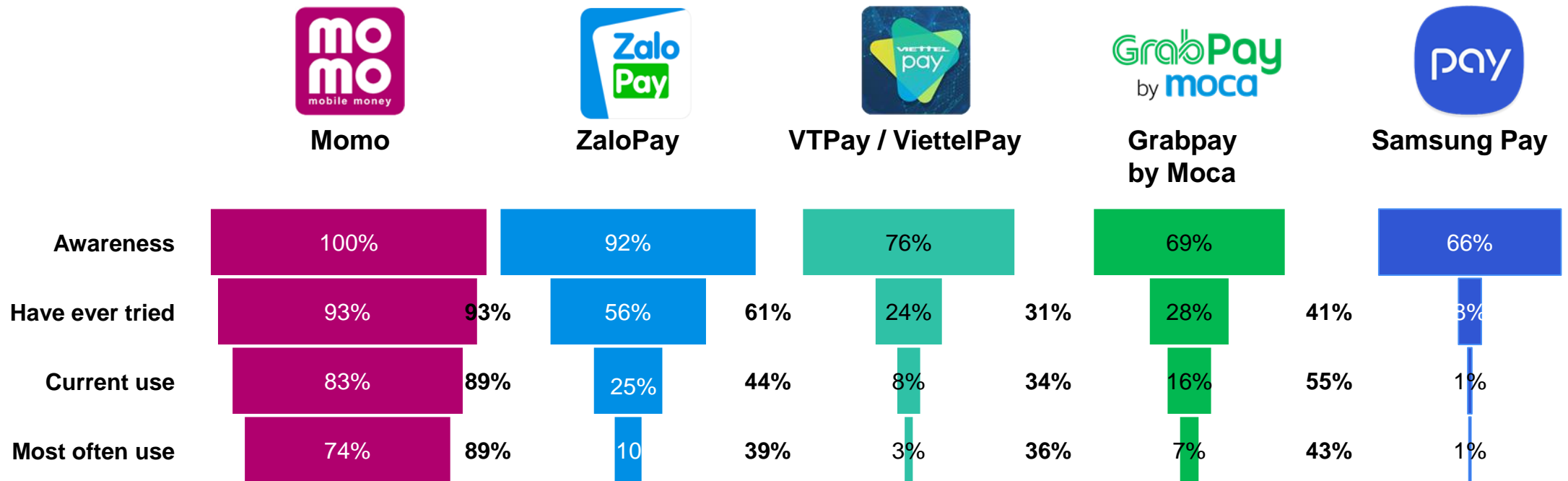
Top 5 e-wallet
Base on Hanoi e-wallet booster sample
N = 114



E-wallet users in HCM are more aware of and try more e-wallet brands than those in Hanoi

- The HCM market tends to be more competitive. Within the top 5 for market share, Samsung Pay performs better in HCM.

Top 5 e-wallet
Base on HCM e-wallet booster sample
N = 110



Who will win?



UX is strong for both e-wallets and bank apps. Bank cards stand for a strong reputation and a wide range of accepted places.

PRO

CONS



E-wallet

- A lot of rewards, promotion & deals
- Competitive fee.
- Ability to pay a wide range of category.
- Smooth UX & UI experience.

- Not secure.
- Not many accepted places.
- Customer care system is slow.
- Brand reputation.
- Stability of system.



Mobile banking app

- Smooth UX & UI experience.

- Lack of promotion and deals.
- Stability of system.
- Customer care system is slow.



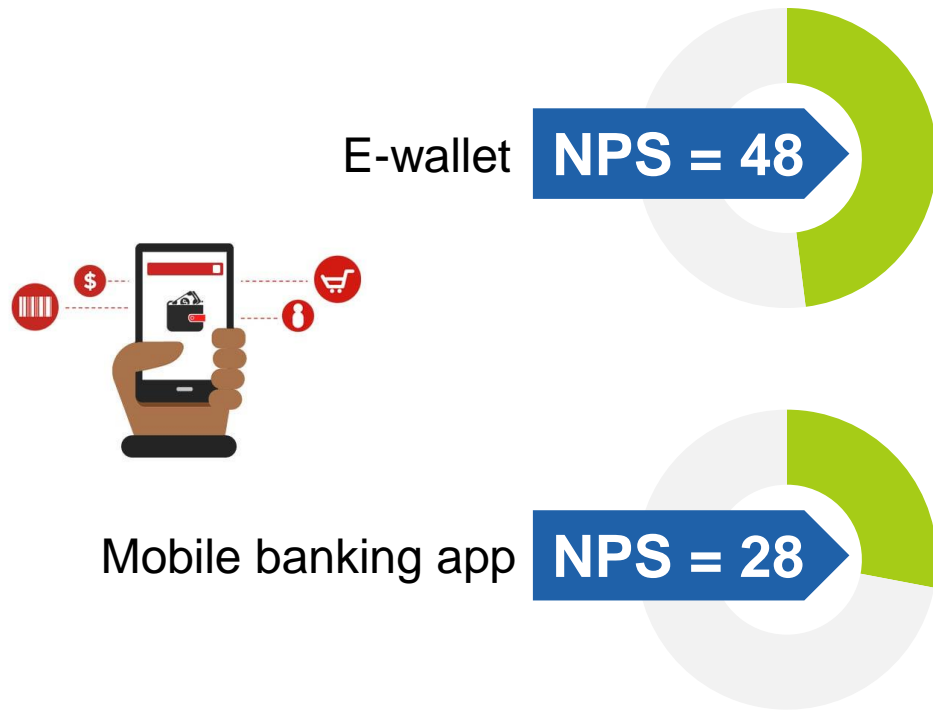
Bank cards

- Large network of accepted places.
- Brand reputation.
- Easy to cash in/ cash out.

- Lack of promotion and deals.
- Narrow range of categories to pay.
- High fees.
- Slow payment process.

Consumers are strongly motivated by promotions from e-wallets. E-wallets outperform mobile banking app on NPS.

Things that mostly make consumer satisfied

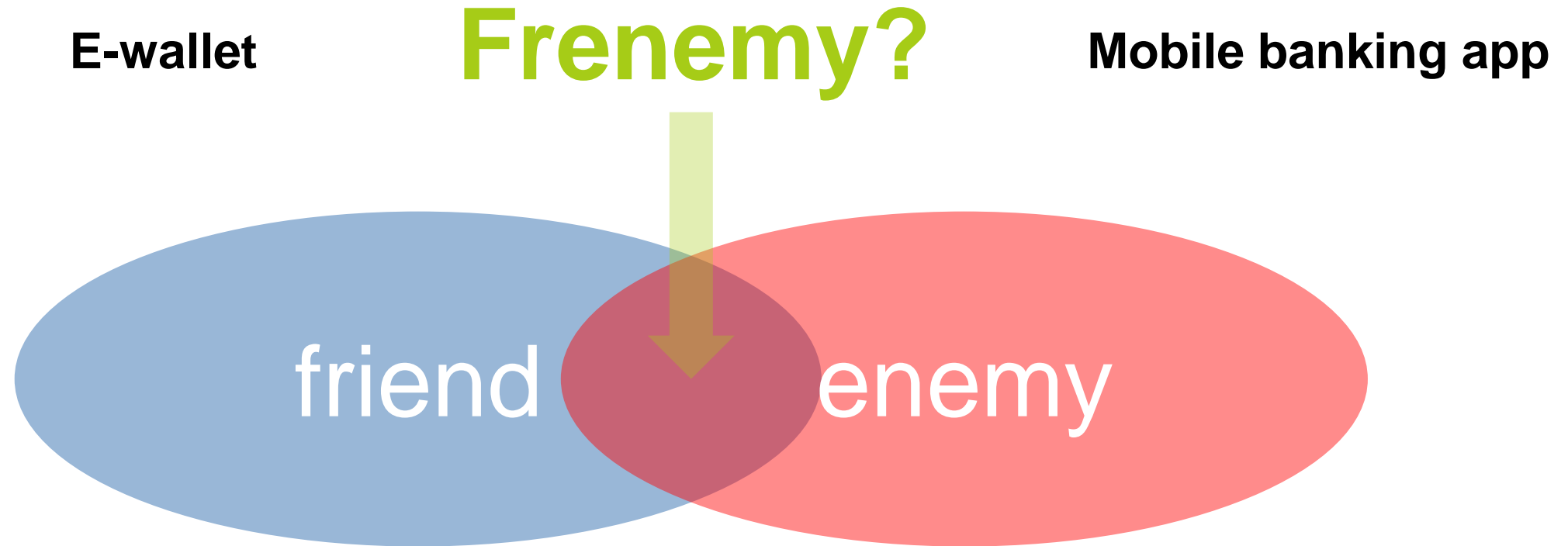


**Both need to improve the stability of app.
Mobile banking apps need to simplify the registration process.**

Although getting good reactions from users, there are still critical barriers for e-wallets to overcome

- E wallet service providers are prohibited from:
 - Issuing more than one e-wallet for one customer using one bank account.
 - Issuing credit for customers, paying interest on balance, or any activity to increase the balance in the e-wallet.
- Money deposit and withdrawal should be processed via a bank account.
- E-wallet providers must create a channel to report to the State Bank of Vietnam (SBV) with the timing of payment processed via e wallets and the total balance of back up account.

E-wallets - a fintech fad or here to stay?



Will bank apps kill e-wallets? Can they match consumer centricity?

E-wallet

Mobile banking app

Consumer perspective



- A lot of rewards, promotion & deals.
- Competitive fees.
- Ability to pay a wide range of categories.
- Smooth UX & UI experience.



- Reputation.
- Smooth UX.

Business perspective



- Technology focus.
- Flexibility.
- Ability to expand network.
- Could be a solution for unbanked sector.
- Micro transactions.

- Bank account penetration has been largely driven by salary transactions.
- IBPS (Inter Bank Payment System) now linked to most bank users.

Could e-wallets become a distribution and marketing channel for banks?

- Tech led consumer centricity that banks can never match?
- A bridge for banks to penetrate the unbanked?
- A focus on micro transactions?



Will a dominant player win?



Momo burns a lot of money to have people try it, how long can this spend be sustained?



Already the leader for their messenger application, but why not their e-wallet?



SAMSUNG
pay

Already in every Samsung phone, but why is it not the leader?

Will one player prevail in a larger eco-system? A super app like We Chat in China?



Which is the most possible scenario?

1. Bank mobile apps will kill e-wallets.



3. An e-wallet will dominate and win.



2. E-wallets will be a distribution and marketing channel for banks.



4. An e-wallet will become a sing all-in-one super app (e.g. Wechat in China).



Hãy lên tiếng để được lắng nghe

> Hãy tham gia thảo luận để tạo nên sự khác biệt

THE
VOICE
OF THE CUSTOMER
VIỆT NAM



ask@cimigo.com