



VISA
CONSUMER PAYMENT
ATTITUDES STUDY 2.0

HOW THE PANDEMIC HAS CHANGED
THE PAYMENTS AND BANKING
ECOSYSTEMS IN HONG KONG,
MACAU AND TAIWAN

VISA

TABLE OF CONTENTS



METHODOLOGY



INTRODUCTION



A TIMELINE OF COVID-19 RELATED TRAVEL AND SOCIAL RESTRICTIONS

1

THE COVID-19 EFFECTS: PANDEMIC ACCELERATES DIGITAL COMMERCE

1.1

ONLINE SHOPPING DRIVES GROWTH IN DIGITAL PAYMENTS

1.2

HYGIENE FACTORS AND THE MOVE TO CONTACTLESS

2

THE SEE-SAW: MOBILE WALLETS PASS THE TIPPING POINT

3

OPTIONS: CONSUMERS SEEKING GREATER PAYMENT CHOICES AT SMALL MERCHANTS

4

TICKET TO RIDE: CONTACTLESS COMMUTE

5

EXPERIENCE DRIVEN: THE RISE OF DIGITAL BANKING

6

AWARENESS AND TRUST: VIRTUAL BANKS AT THE CROSSROAD

7

WHOSE DATA? OPPORTUNITIES AND CHALLENGES IN OPEN BANKING



ABOUT VISA

METHODOLOGY

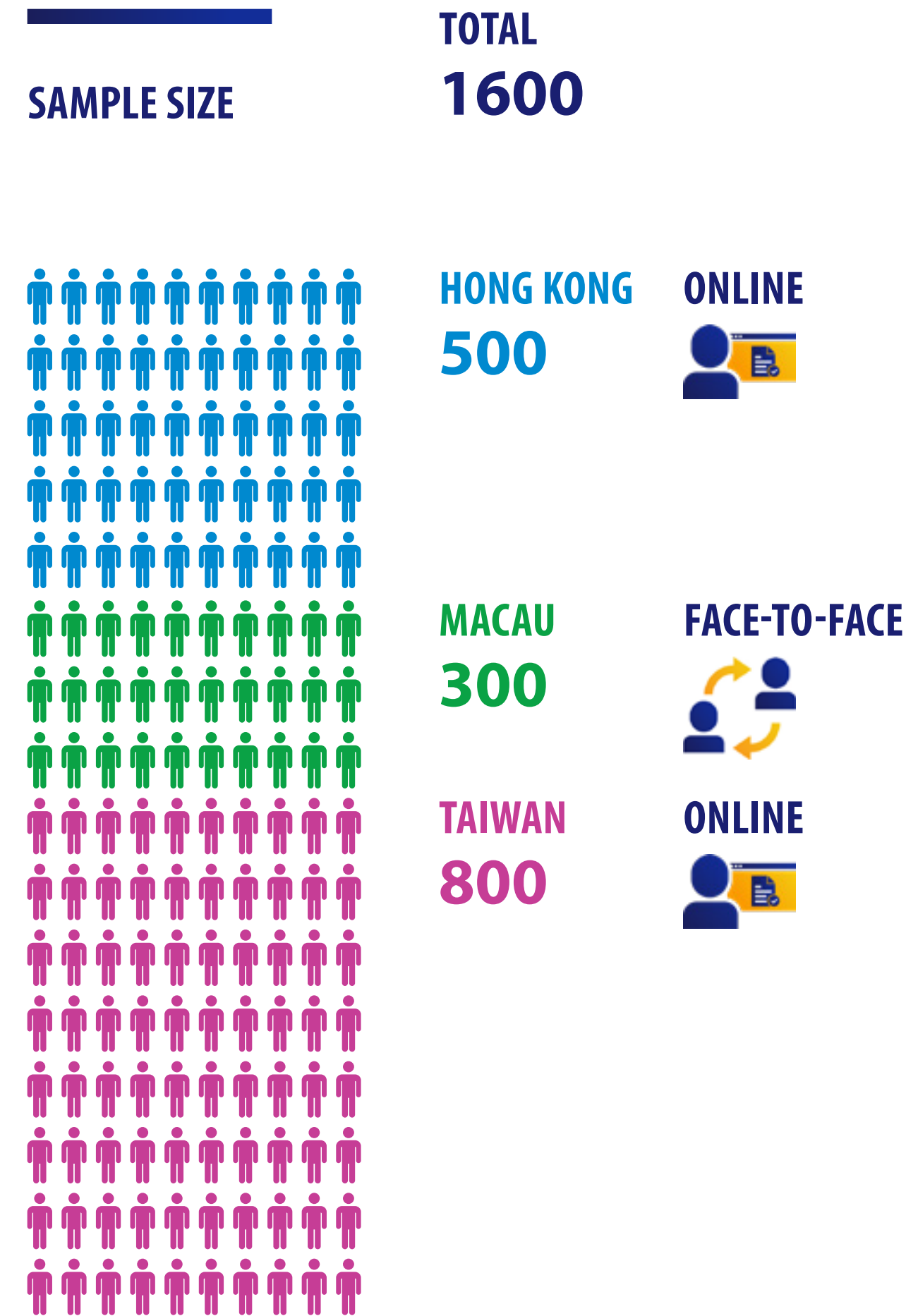
The survey was conducted with 1,600 consumers living in Hong Kong SAR (referred to as 'Hong Kong'), Macau SAR (referred to as 'Macau'), and Taiwan by Intuit Research.

The methodology for this study was quantitative, with data collection in August 2020.

For Hong Kong and Taiwan, the surveys were done using online access panels. In Macau, interviews were conducted face-to-face, via street intercepts.

Target group: General population aged 18-55 years, with quotas set to ensure a representative sample.

The sampling error for these sample sizes is +/- 4.4% for Hong Kong, +/- 5.7% for Macau and +/- 3.5% for Taiwan at 95% confidence.



INTRODUCTION



This is not just another report on the impact of COVID-19. We knew that the pandemic has led to an acceleration in digital transformation. Many studies have addressed the economic impacts usually at regional and global levels. The Consumer Payment Attitudes Study 2.0 differs in how we look at consumers' perceptions and preferences – specifically in Hong Kong SAR and Macau SAR – on payments, digital banking and open data, as affected by COVID, while comparing this year's findings with the previous year's.

“Cash is king” may no longer apply in Hong Kong, as credit and debit cards overtook cash for the first time as the most used and preferred payment option. Preference and usage of digital payments also extended beyond eCommerce to include face-to-face transactions.

This report confirms the structural shifts that Visa has observed through our own VisaNet data in the first eight months

of the pandemic across the payments ecosystems in Hong Kong and Macau – with Taiwan as comparison. The survey, conducted in August 2020 among a total sample of 1,600 consumers, has corroborated Visa's own data that:

- Online shopping will become the norm with consumers in Hong Kong expecting to do 45% of their shopping online post-COVID.
- Two-fifth of Hong Kong and Macau consumers have used more digital banking services during the pandemic and will do so after.
- Contactless payment in stores is becoming more frequent for hygiene reasons compared to the previous year.

In this second edition of this annual research, we have also taken a deeper dive into perceptions and expectations of consumers' digital banking experiences, as well as their views on open data and data privacy. In short, consumers' optimism for a cashless future is growing, but there is room for improvement.

We hope that this report will provide useful insights to the industry as Visa continues to broaden our capabilities and provide consumers with seamless, intuitive, and secure commerce experiences whatever the circumstances.



Maaike Steinebach
General Manager,
Hong Kong and Macau



A TIMELINE OF KEY COVID RELATED TRAVEL AND SOCIAL RESTRICTIONS

HONG KONG 2020



JAN–FEB

- The Hong Kong SAR government responded to the coronavirus outbreak by restricting inbound travel from Mainland China.
- Tourist arrivals dropped drastically
- Quarantine measures introduced
- Schools suspended until end of May
- Work-from-home arrangements implemented
- First coronavirus death in Hong Kong on February 4



MAR–APR

- Start of the second wave of the outbreak in Hong Kong
- Quarantine measures extended to all arriving travellers
- Social distancing measures and restrictions on several types of businesses, including restaurants and bars
- Gatherings of more than four people prohibited



MAY–JUN

- Restrictions implemented in April relaxed, including for restaurants
- Schools resumed classes



JUL

- Social gathering restrictions were re-introduced
- Masks made mandatory on public transport and at all indoor public places
- Daytime dine-in at restaurants limited to 2 and then 4 people



AUG ONWARDS

- Period of no new infected cases and stability interspersed with city-wide outbreaks – third and fourth waves – results in government relaxing and then tightening rules on public gatherings including schools and restaurants
- Hong Kong government discuss possibilities of ‘travel bubbles’ with Thailand, Japan, Singapore and other destinations





MACAU 2020



JAN



- The government and the casino sector met to discuss coronavirus prevention measures.
- Novel Coronavirus Response and Coordination Centre set up
- First confirmed case reported
- Schools and universities were closed, border control measures imposed.



FEB-MAR



- Casinos and other entertainment businesses suspended for 15 days. Operations resumed from the midnight of 20 February.
- Bars, health clubs, night clubs, karaoke lounges reopened
- Macau SAR government restricted travel inflow



APR-JUN



- 'Health code' system introduced to facilitate travel for Macau residents
- Last COVID-19 patient in Macau was discharged
- Classes resumed in stages



JULY ONWARDS



- Quarantine-free travel to nine cities in Greater Bay Area for eligible Macau residents. Reinstatement of travel permit issuance for Mainland residents to Macau



TAIWAN 2020



DEC (19)–JAN



- Taiwan started screening travellers from Mainland China on December 31st
- Quarantine measures implemented
- Central Epidemic Command Centre (CECC) was established
- First cases reported



FEB



- Schools postponed the start of spring semester by two weeks
- Restrictions imposed on flights to and from Mainland China, Hong Kong and Macau
- 14-day home quarantine required for travellers who transited through Mainland China, Hong Kong and Macau
- First coronavirus death reported



MAR–APR



- Public gatherings guidelines issued
- Mandatory social distancing rules announced for restaurants, school campuses, offices, mass transport, supermarkets, and other sites



MAY ONWARDS



- CECC started easing restrictions
- Short-term business travellers allowed to enter Taiwan and could apply for shortened home quarantine
- Entry measures were gradually relaxed for eligible travellers



1

THE COVID-19 EFFECTS: PANDEMIC ACCELERATES DIGITAL COMMERCE

1.1

ONLINE SHOPPING DRIVES GROWTH IN DIGITAL PAYMENTS



In Hong Kong, Macau and Taiwan, there have been major disruptions to tourism and business travel, school closures that have brought adverse consequences, implementation of work-from-home arrangements and social distancing measures. These disruptions were more pronounced and lasted longer in Hong Kong than the other two markets.

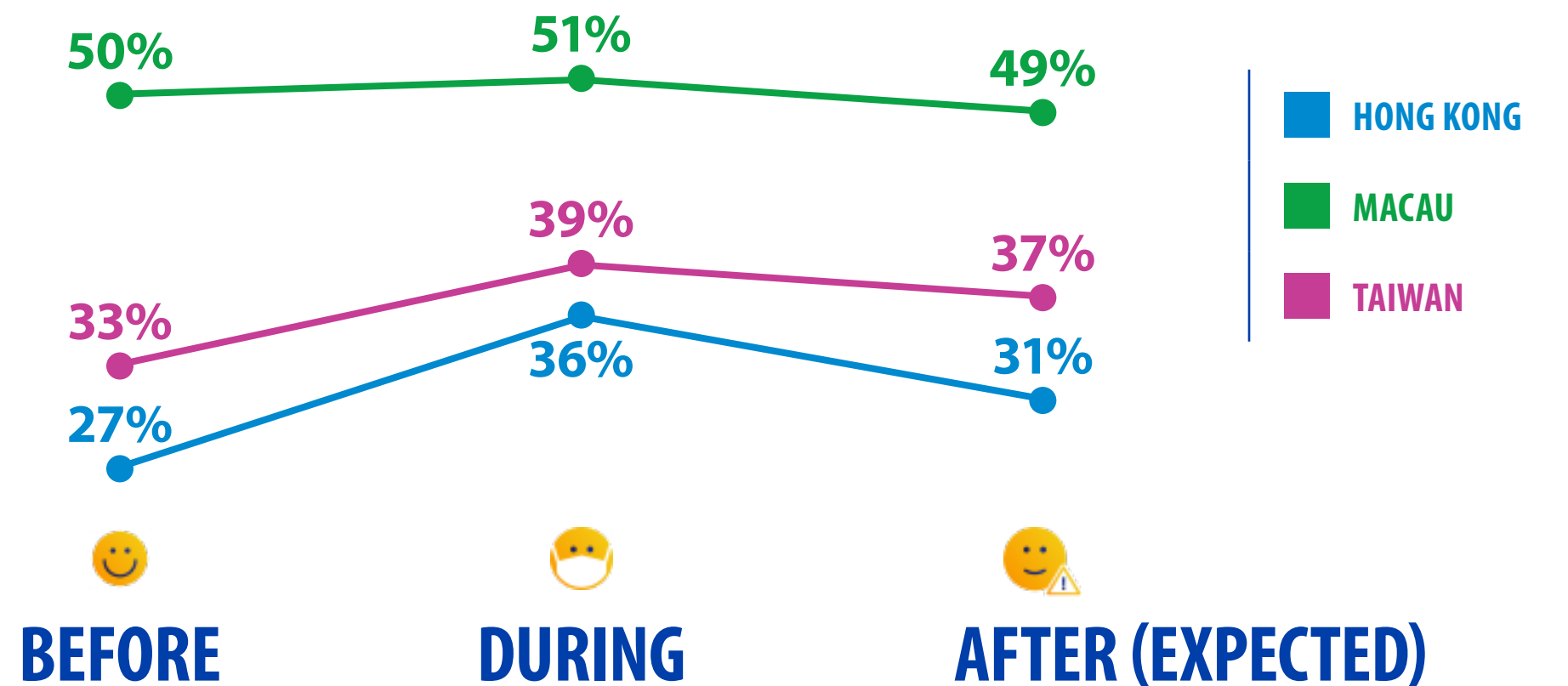
These disruptions to people's routines and a heightened awareness of hygiene has inevitably had an impact on how people consume goods and services, both online and offline.

Across the three markets, there has been a considerable increase in online shopping, both in terms of frequency and percentage of total expenses. The growth is the greatest in Hong Kong, where the proportion of people making online purchases at least once a week has increased to 36% now compared to 27% before the pandemic. This is followed by Taiwan, which witnessed an increase to 39% from 33%.

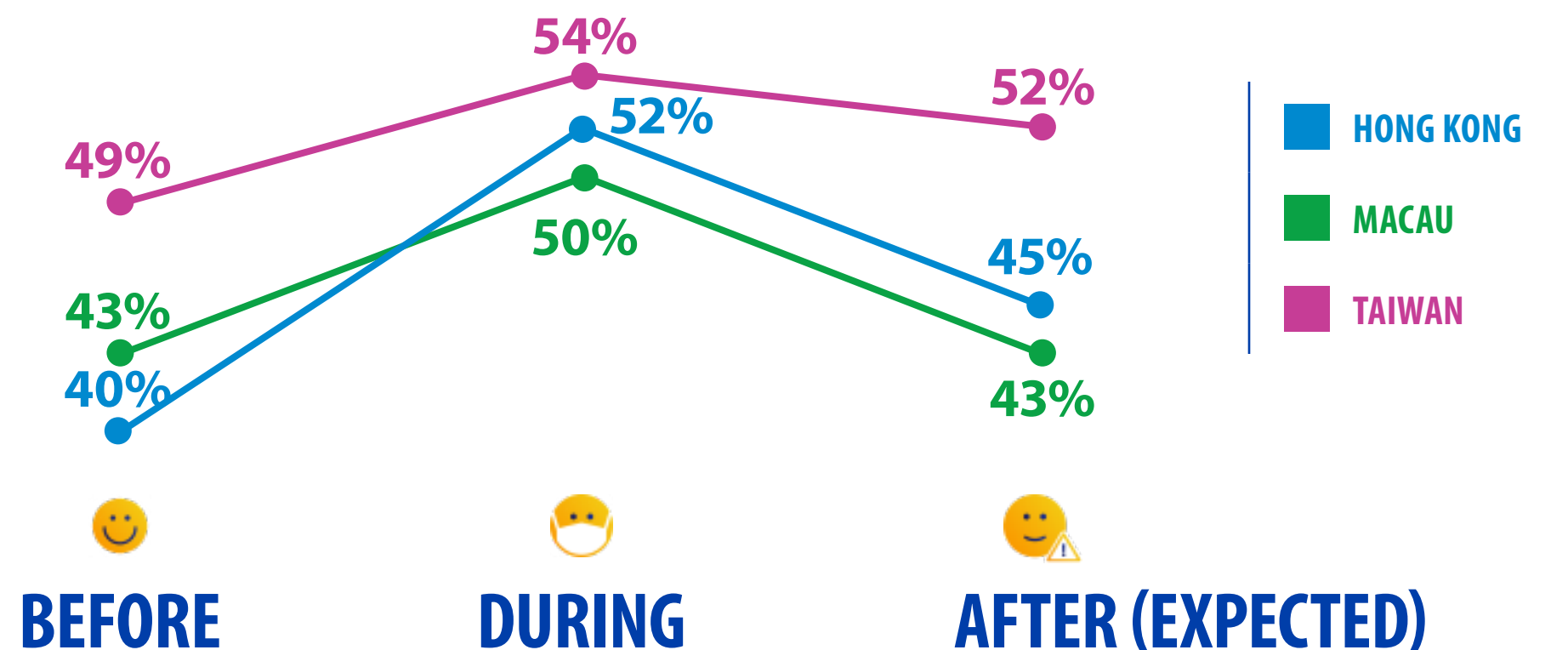
However, post-COVID there is expected to be a drop in online spending in Hong Kong and Taiwan, but this will not be as low as pre-COVID levels. In Macau, people's spending habits are expected to return to pre-pandemic levels.



ONLINE SHOPPING FREQUENCY AROUND COVID-19 (AT LEAST ONCE A WEEK)



% OF TOTAL EXPENSES PAID FOR ONLINE DURING COVID-19



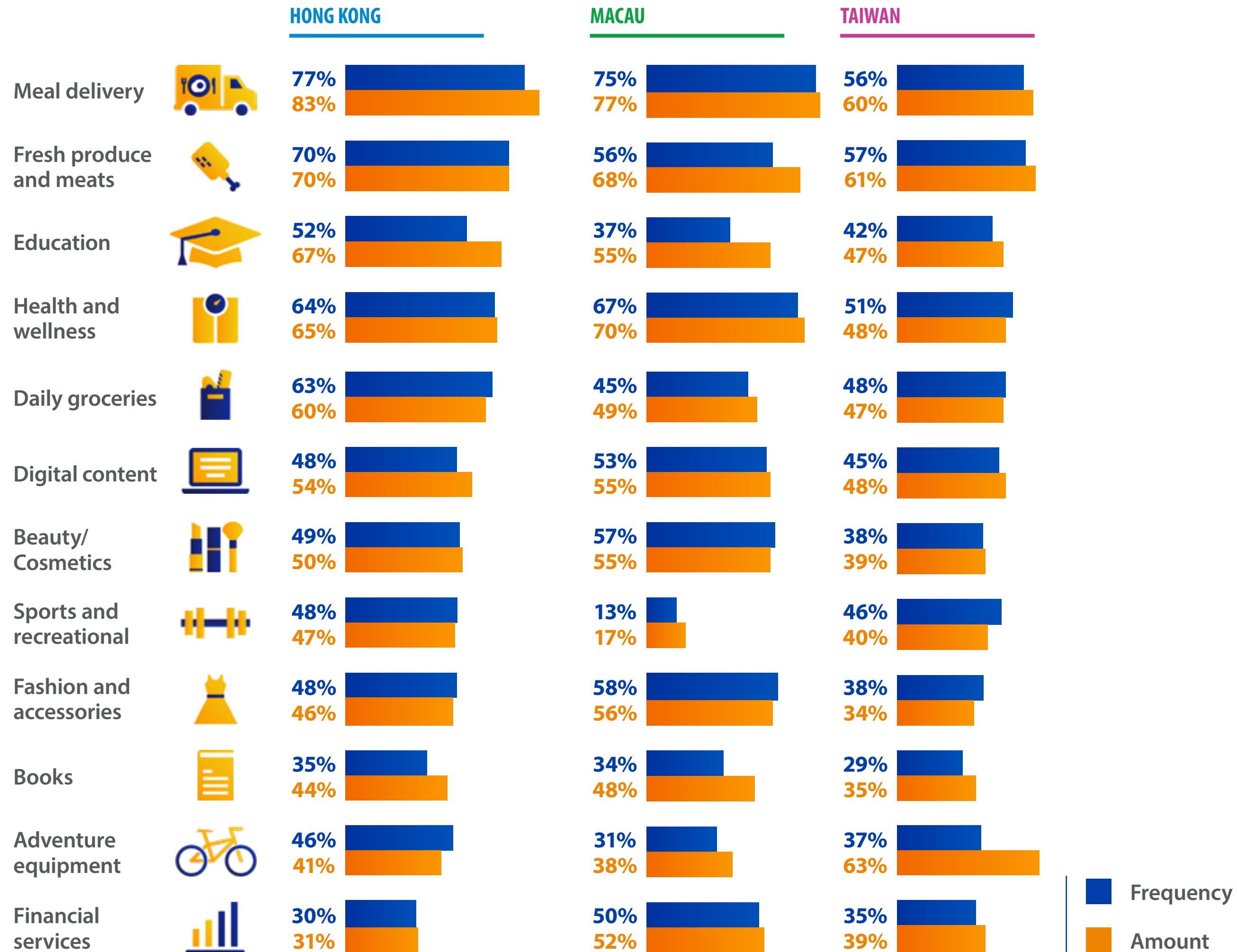


The increase in online spending has benefited some categories more than others.

Meal deliveries have benefited from social distancing restrictions, seeing the strongest growth across each of the three markets. In Hong Kong and Macau, three out of four people have ordered meals more frequently and have spent more. Over half the respondents in Taiwan say so too.

Other categories that have benefitted from increased spending are fresh produce, groceries, education, health & wellness, and fashion. In particular, Hong Kong and Taiwan have seen increased online sales in the sports and recreation and adventure equipment segments.

**% WHO INCREASED FREQUENCY/
AMOUNT OF ONLINE SHOPPING
BY CATEGORY DURING COVID-19**



COMMUNITY SUPPORT: LOCAL ECOMMERCE WEBSITES ARE THE PRIMARY BENEFICIARIES

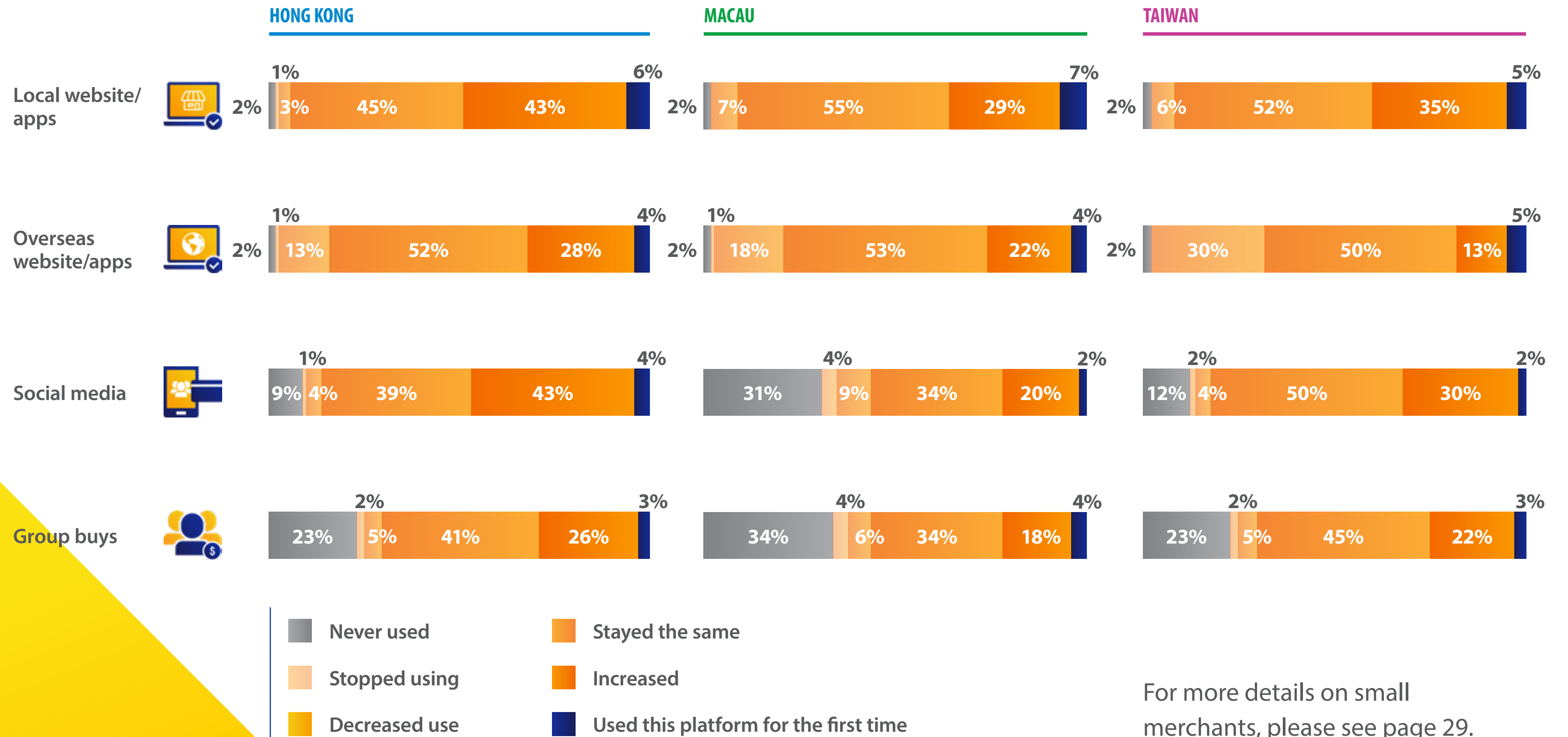


Across all three markets, local e-commerce websites and apps have seen the highest increase in usage. This is not surprising as courier services were affected.

Overseas eCommerce websites have also seen increased usage among Hong Kong shoppers and to a lesser extent in Macau. Meanwhile, there is a net decrease in overseas online shopping from Taiwan consumers. Shopping via social media has also increased, particularly in Hong Kong.



CHANGE IN USAGE OF ONLINE SHOPPING CHANNELS DURING COVID



For more details on small merchants, please see page 29.



Our survey has revealed some interesting differences in how the pandemic has affected which overseas markets consumers from Hong Kong, Macau and Taiwan buy from.

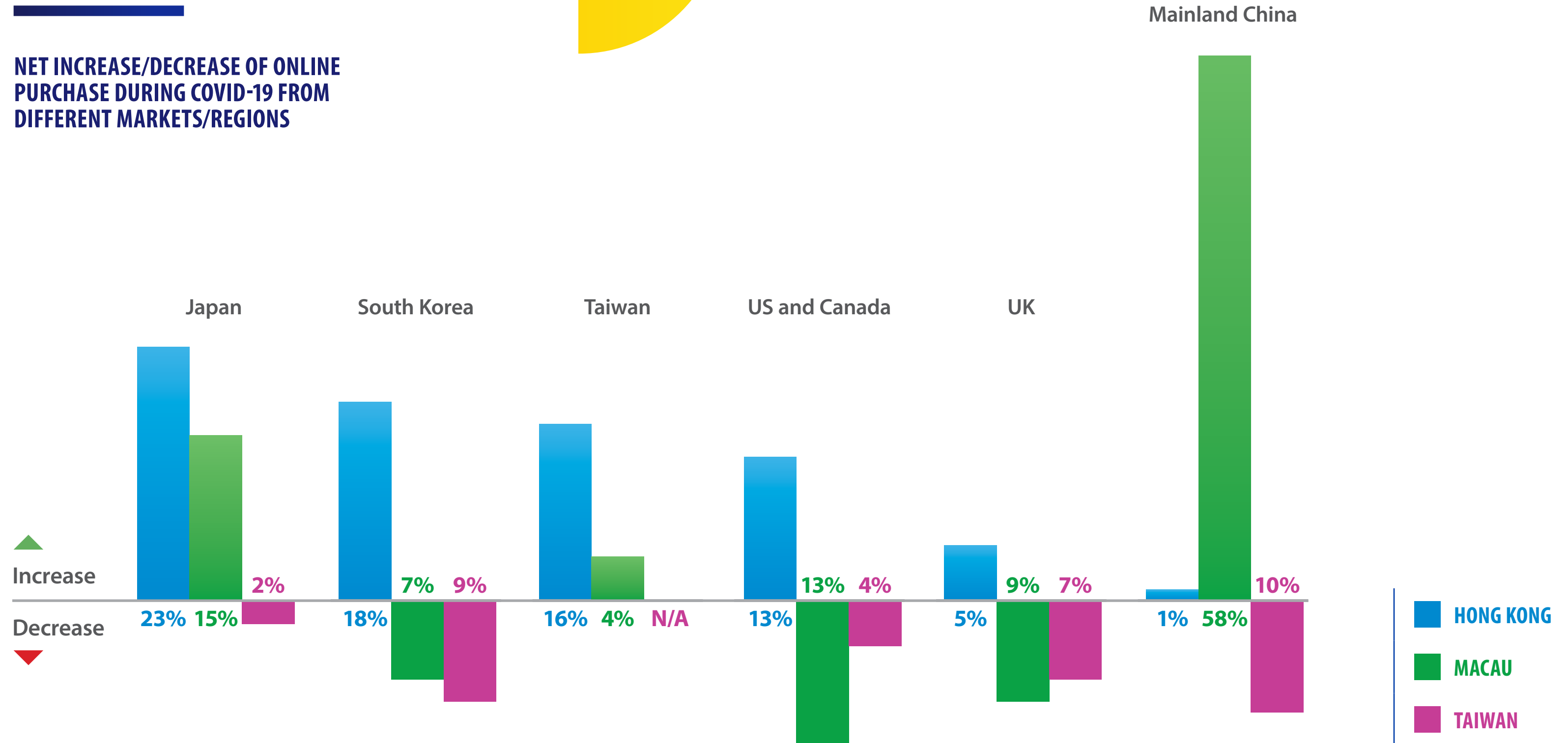
Among Hong Kong shoppers, purchases from Japan, South Korea, Taiwan and North America see significant jumps.

Macau has also seen an increase in online shopping from Japan-based merchants, though it pales in comparison to the net 58% increase in purchases from sellers in Mainland China. There is a drop in online shopping from US and Canada websites.

Taiwan has recorded a net drop in overseas online purchases. The reductions are mainly in online purchases from Mainland China, South Korea and the UK.



NET INCREASE/DECREASE OF ONLINE PURCHASE DURING COVID-19 FROM DIFFERENT MARKETS/REGIONS



CASH TAKES A NOSEDIVE, WHILE DIGITAL PAYMENTS SOARED



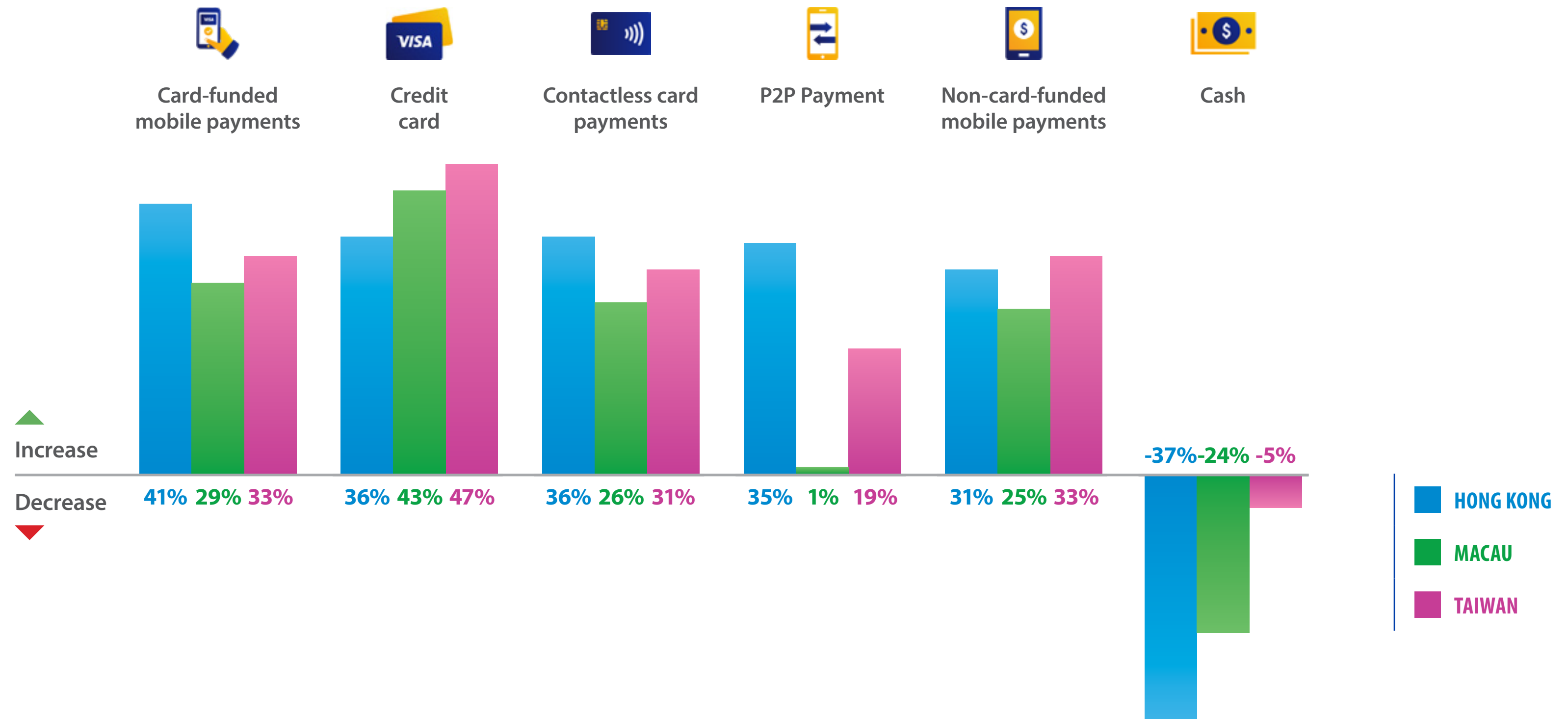
Cash payments have rapidly lost favour during the pandemic, with Hong Kong seeing the largest drop in cash usage. Card-funded mobile payments, credit cards, contactless cards, peer-to-peer (P2P) payments and non-card-funded mobile payments have all shown significant increase in usage.

Macau, the economy most dependent on cash, has also witnessed a massive decline in cash payments during the pandemic and an increase in several digital payment methods.

While the decline in the number of cash users in Taiwan was much smaller than in Hong Kong and Macau, digital payments also got a boost in Taiwan because of COVID.



NET INCREASE/DECREASE OF PAYMENT METHOD USAGE DURING COVID





The changes in the way that people shop during the pandemic has inevitably affected payment behaviour. The most obvious changes are linked to the shift to online shopping.

However, the pandemic has also had more subtle effects on payment choices due to health or hygiene concerns. There is a noticeable switch in payment methods from cash and towards cashless methods between May 2019 and August 2020.

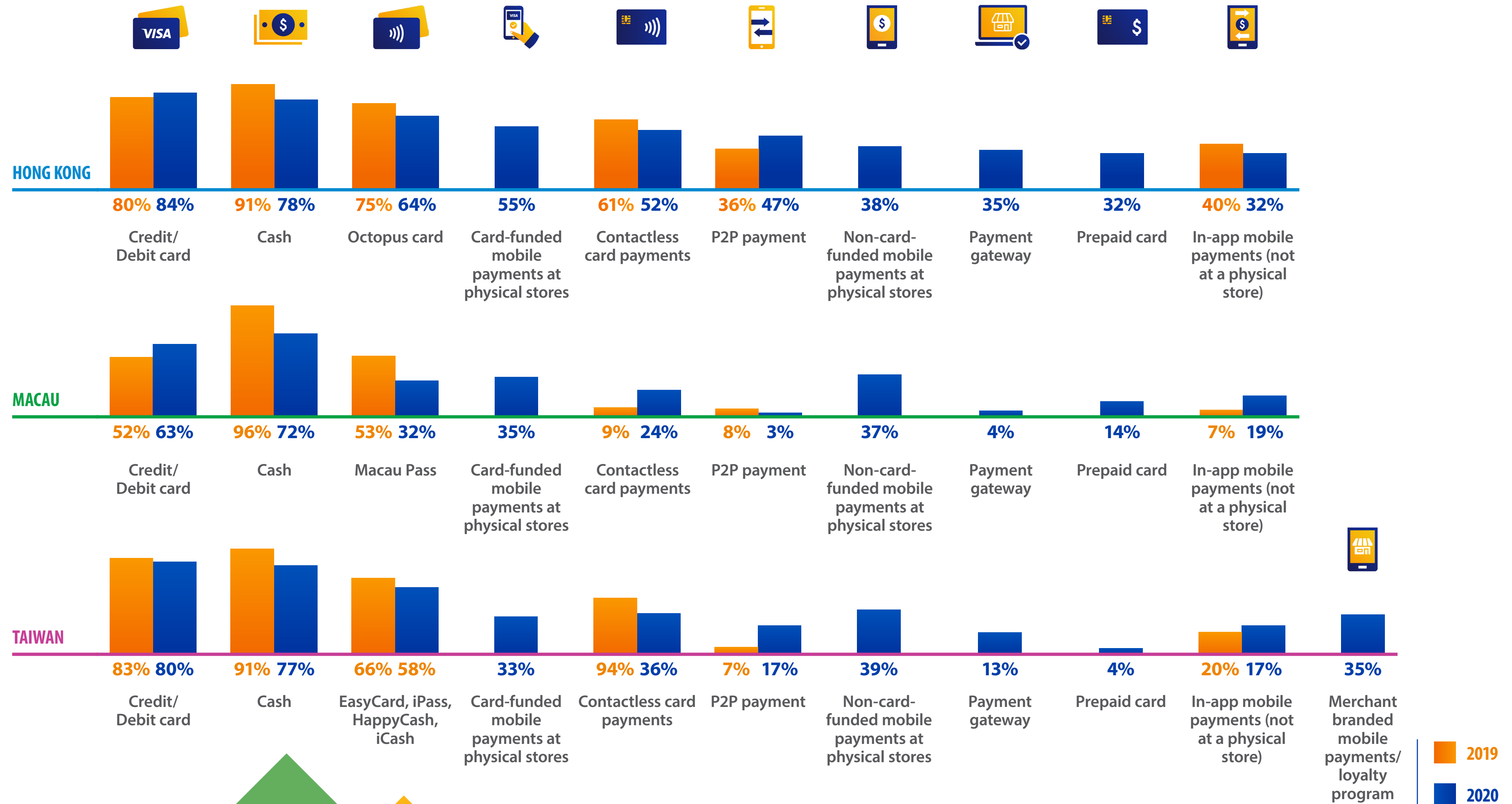
In 2019, cash was the most used form of payment in Macau (96%), Hong Kong and Taiwan (91%). In 2020, cash usage dropped by 24% in Macau, 14% in Taiwan and 13% in Hong Kong.

In this scenario, it is not surprising to see card payments dominate over cash, with card usage rising from 80% to 84% in Hong Kong, and from 52% to 63% in Macau.

Both Hong Kong and Taiwan witnessed an uptick in P2P payments, by 10% in Hong Kong and 11% in Taiwan. However, in Macau, P2P payments dropped by 5%.

In contrast, in-app mobile payments in Macau rose by 12% while declining by 8% in Hong Kong.

PAYMENT METHODS USED





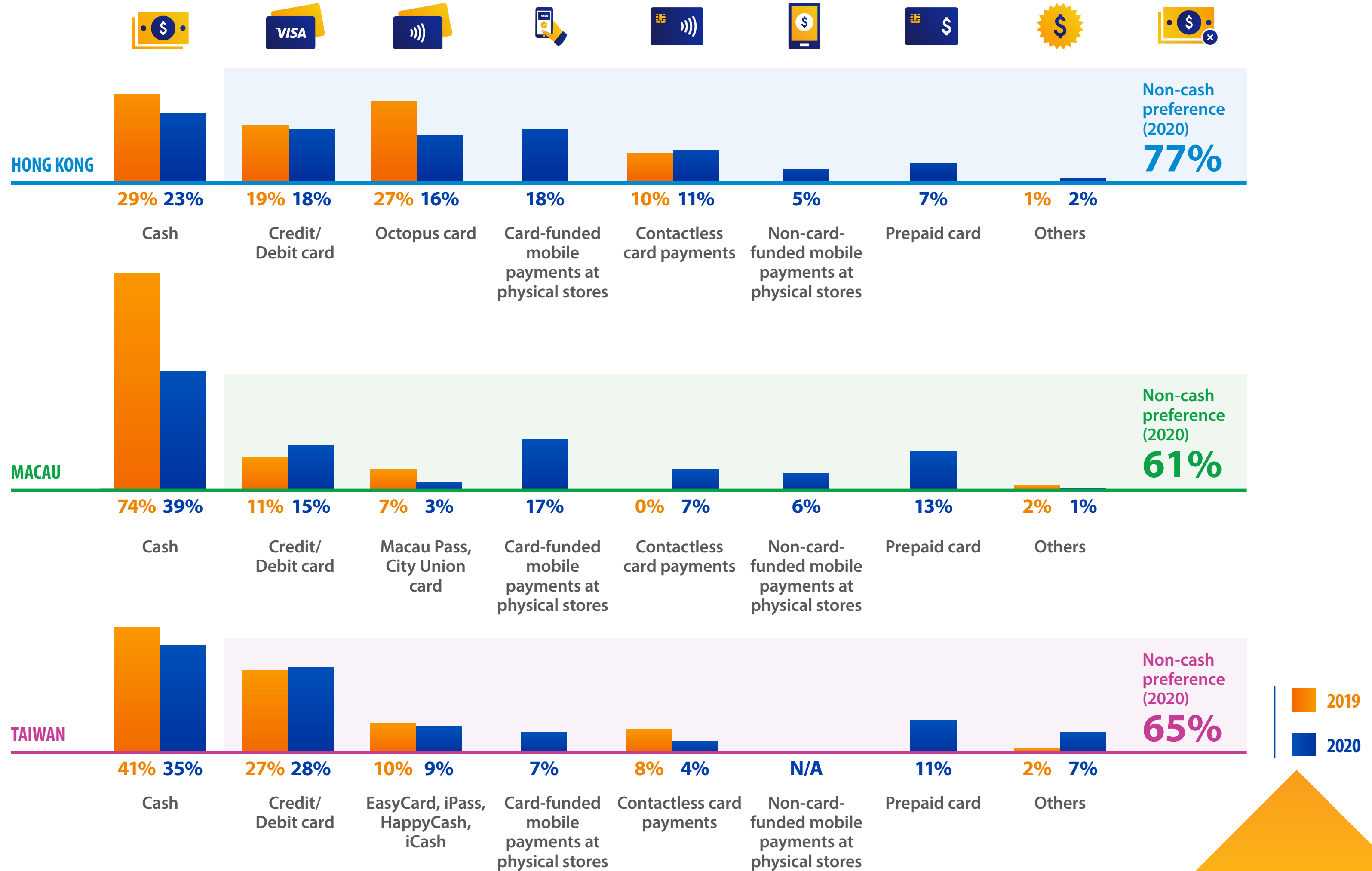
While usage of cash has declined due to people being out less, the stated preference for cash payment has also decreased since last year. Hygiene concerns have made people warier about handling cash.

In 2019, 29% of people in Hong Kong preferred cash, which constituted 32% of spending. In 2020, these figures dropped by 7% and 6% respectively. In Taiwan, cash usage fell from 91% to 77%, while preference dropped to 35% from 41%.

Macau witnessed the most drastic fall in both usage and preference – from 64% to 38% and 74% to 39% respectively. At the same time, card usage has gone up from 12% to 20%, while contactless card payments started to gain traction.

Non-cash methods combined are now preferred by 77% in Hong Kong, 65% in Taiwan and 61% in Macau.

PREFERRED PAYMENT METHODS





The main reasons cited by consumers for switching from cash to digital payments are the speed of payment, greater rewards and cashback, and being easier to carry around.



REASONS FOR CHOOSING NON-CASH METHODS


HONG KONG


QUICKEST FORM OF TRANSACTION
 **77%**
 among contactless card users


REWARDS AND CASHBACK
 **70%**
 among contactless card users

EASE OF CARRYING AROUND
 **68%**
 among contactless card users/ card-funded mobile payment users


MACAU


EASE OF CARRYING AROUND
 **80%**
 among non-card funded mobile wallet users


QUICKEST FORM OF TRANSACTION
 **70%**
 among non-card funded mobile wallet users

TAKES THE LEAST AMOUNT OF EFFORT
 **66%**
 among card-funded mobile payment users

TAIWAN

REWARDS AND CASHBACK
 **86%**
 among non-card funded mobile payment users

EASE OF CARRYING AROUND
 **74%**
 among card-funded mobile payment users

QUICKEST FORM OF TRANSACTION
 **68%**
 among card-funded mobile payment users



1.2 HYGIENE FACTORS AND THE MOVE TO CONTACTLESS

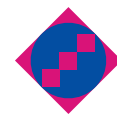
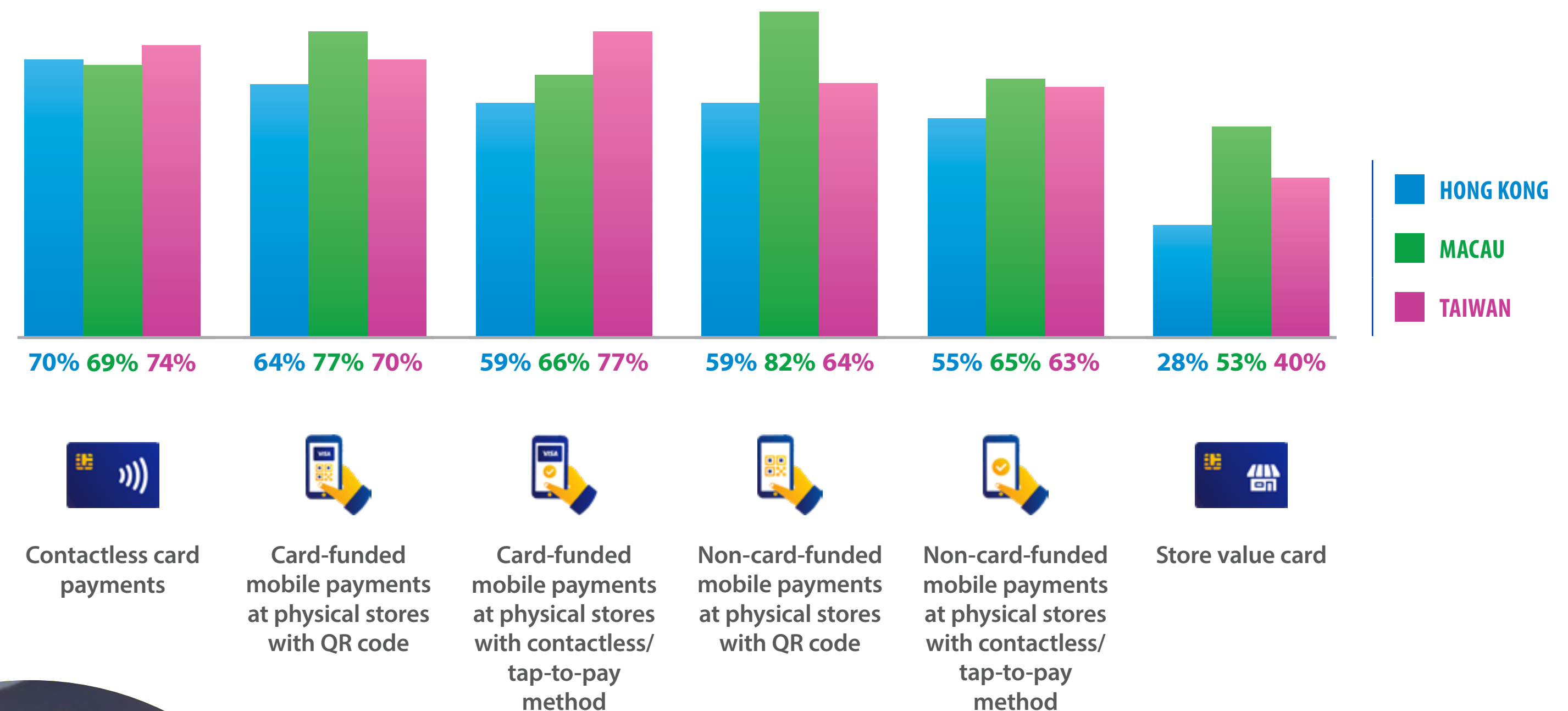
CONTACTLESS CARDS AND QR PAYMENTS PREFERRED FOR IN-STORE PAYMENTS IN HONG KONG, MACAU AND TAIWAN

An overwhelming majority of consumers in all markets are saying they use digital payments more frequently than in comparison to two years ago.

Contactless card payments have witnessed the biggest surge, with 70% of Hong Kong shoppers having increased their use of contactless card payments in retail outlets. This compares to 69% in Macau and 74% in Taiwan.

Card-funded mobile payments with QR codes also increased by 64% in Hong Kong, 77% in Macau, and 70% in Taiwan saying so.

INCREASE IN USAGE OF DIGITAL PAYMENTS COMPARED TO 2 YEARS AGO

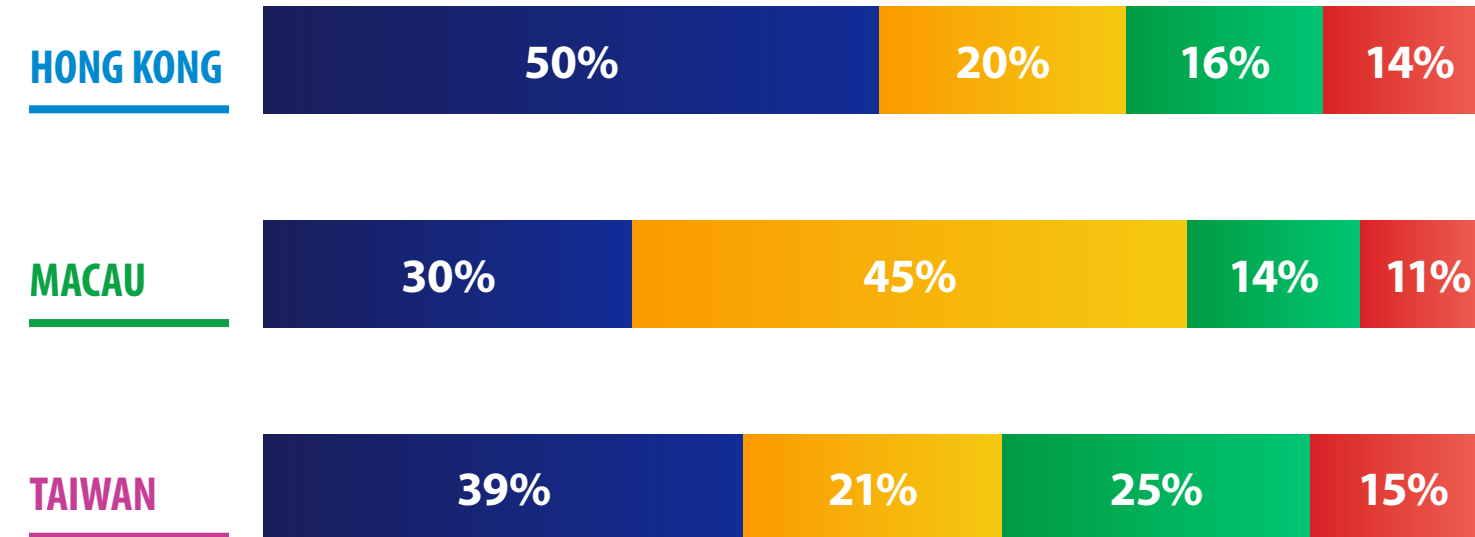








When asked their preference between digital options for in-store payments, contactless cards came first in Hong Kong and Taiwan. In Macau, QR code payments were the preferred form. Our survey found that card-funded mobile wallets are more popular in Hong Kong and Taiwan.

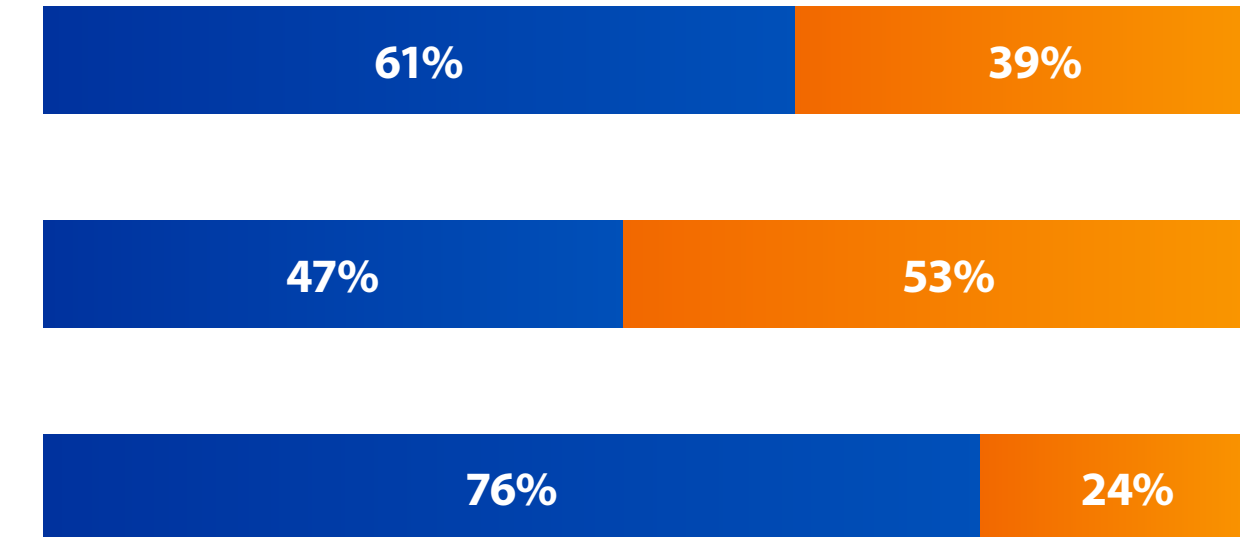




PREFERENCE BETWEEN DIGITAL PAYMENT METHODS



-  Contactless card payments
-  Mobile QR code payments
-  Mobile payments with contactless/tap to pay methods
-  Store value card

PREFERENCE BETWEEN CARD-FUNDED/ NON-CARD-FUNDED MOBILE PAYMENTS



-  Card-funded
-  Non-card funded





Preference for payment methods at physical stores in Hong Kong is split between contactless cards and stored-value cards depending on the outlet or purchase type.

In Taiwan, the situation is similar, with contactless cards as the preferred option for more categories.

In contrast, mobile payments using QR codes is preferred for all categories except fine dining in Macau.



DIGITAL PAYMENTS PREFERRED IN PHYSICAL STORES

HONG KONG

MACAU

TAIWAN

Bill payment

 **36%**

 **32%**

 **36%**

Events/Contacts/
Movies

 **55%**

 **37%**

 **44%**

Fast Food outlets/QSR

 **30%**

 **47%**

 **30%**

Cafe, small eateries,
food courts

 **31%**

 **48%**

 **30%**

Fine dining restaurants

 **56%**

 **31%**

 **51%**

Hypermarkets/
Supermarkets

 **38%**

 **41%**

 **34%**

Purchases at
convenience stores

 **35%**

 **36%**

 **39%**

Ground transportation

 **51%**

 **33%**

 **38%**

Health and wellness/
Medical service

 **53%**

 **35%**

 **51%**

Mom and pop stores

 **31%**

 **47%**




 **30%**

Other physical stores

 **48%**

 **39%**

 **38%**

-  Contactless cards
-  Stored value cards
-  Mobile QR payments



PAYMENT METHOD DECISIONS DRIVEN BY TRANSACTION VALUE



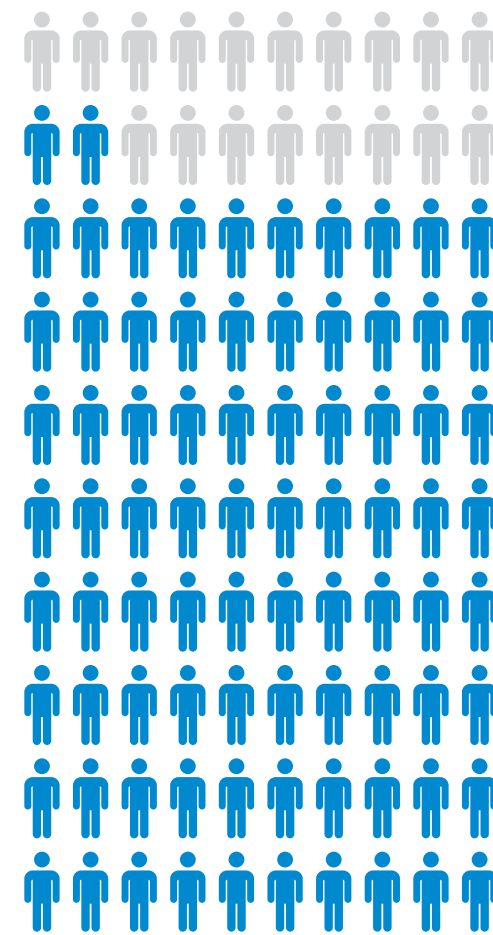
When it comes to choosing between cash and cashless payment methods, the underlying factor across all three markets is the value of the transaction.

While this is not a fundamental difference from last year, the biggest change comes from people choosing to go cashless at a lower transaction value.

The value at which the majority of people choose to go cashless in Hong Kong, Macau and Taiwan are HKD 100, MOP 100 and TWD 400 respectively.



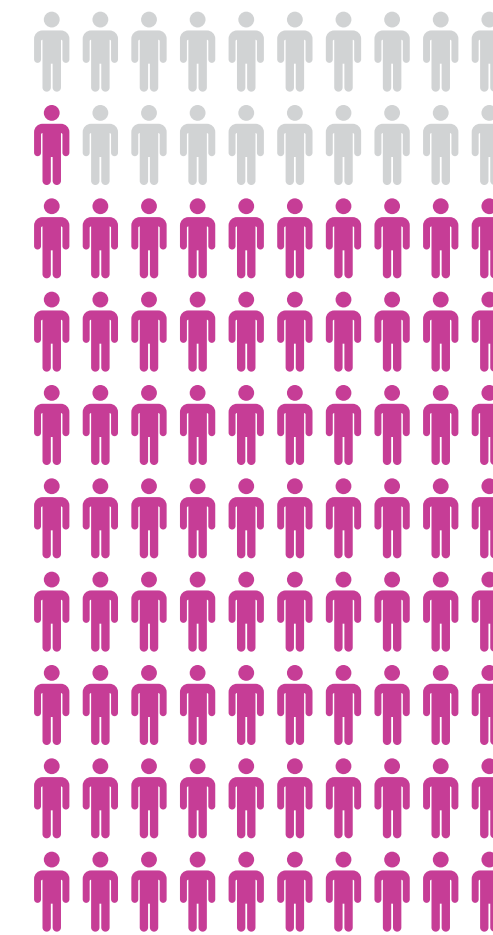
% THAT SAYS THEY DECIDE PAYMENT METHOD BASED ON VALUE



82%
HONG KONG (2020)



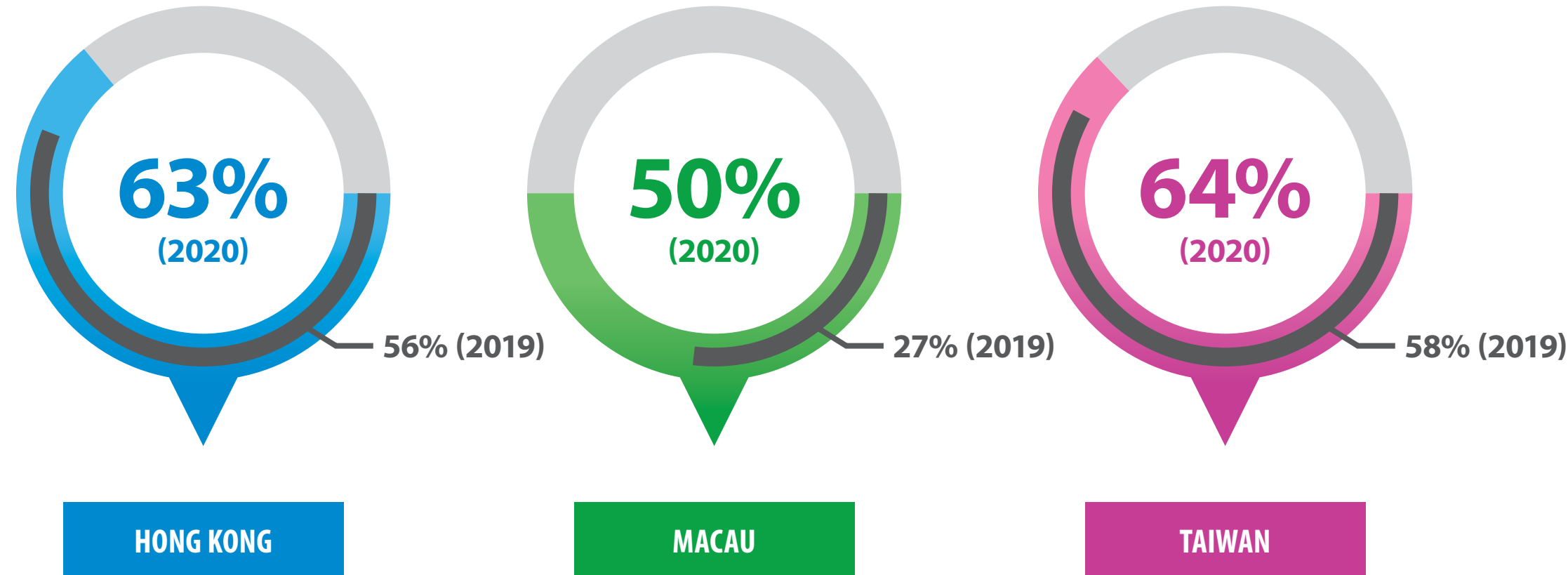
56%
MACAU (2020)



81%
TAIWAN (2020)



**% WHO WOULD CHOOSE
CASHLESS METHODS BEYOND
HKD100/MOP100/TWD400**



Those who still choose cash for payments, 61% in Hong Kong and 51% in Macau, do so because it allows them to use up their small change. In Taiwan, 58% of respondents feel that it is quicker to pay with cash for smaller transactions.

Among those who opt for cashless methods, the top reason is an unwillingness to carry large amounts of cash.

This was stated by 64% of respondents in Hong Kong, 59% in Taiwan and 54% in Macau.



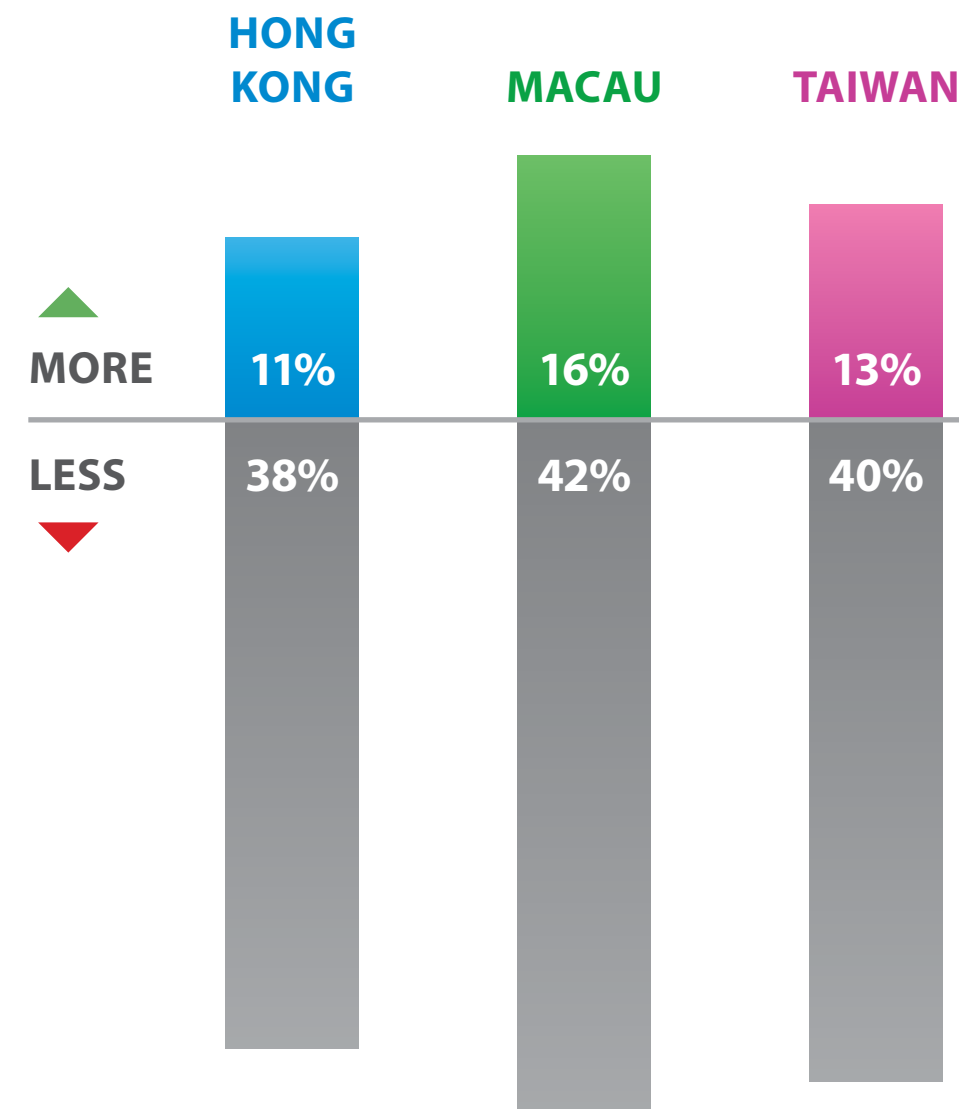
CASH IN WALLET DECREASES WHILE CASHLESS PAYMENTS GROW

Cash displacement continues in all three markets. The top reason for going cashless in Hong Kong is for hygiene.

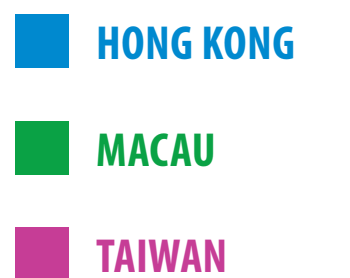
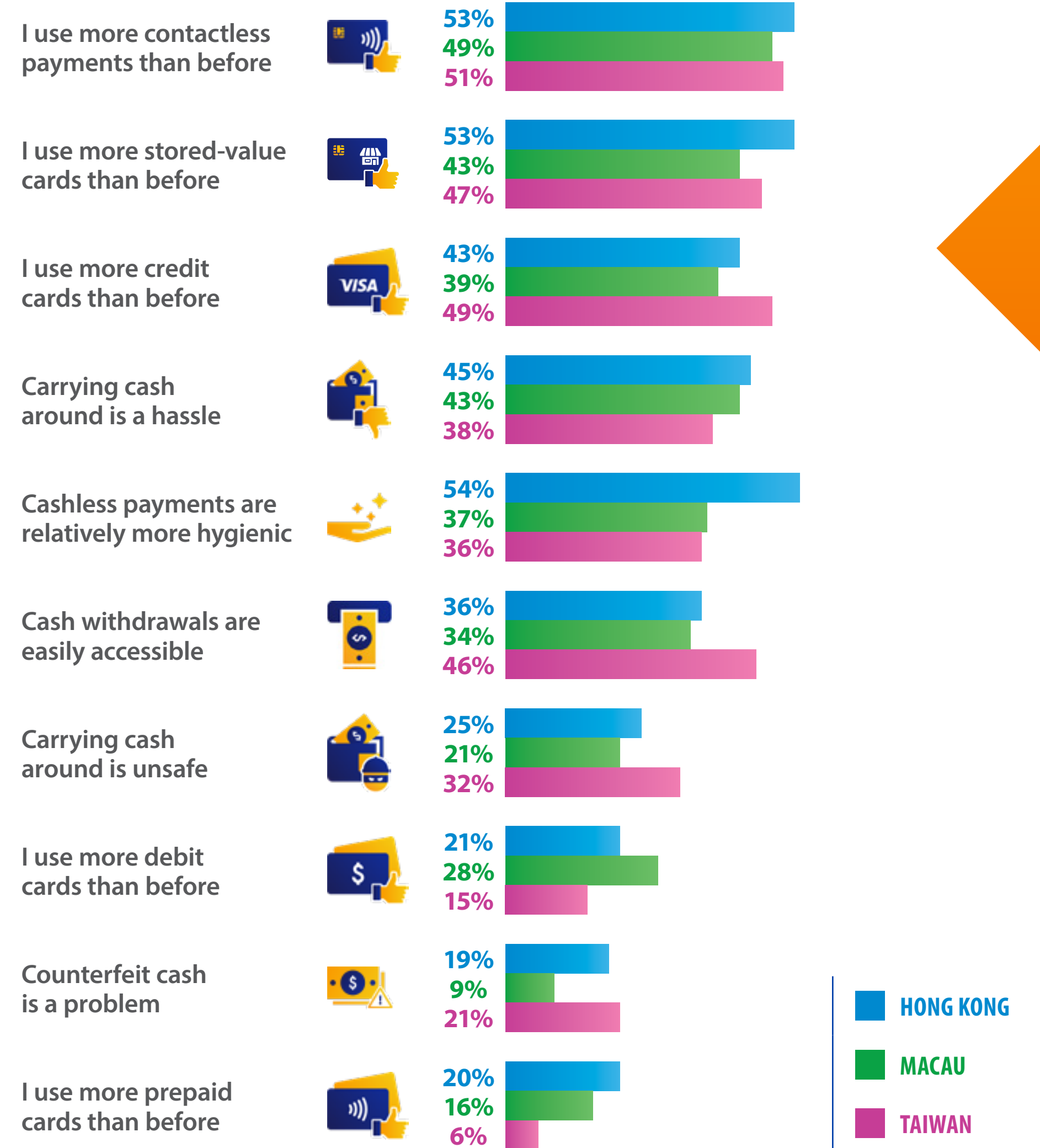
In addition, 53% in Hong Kong, as well as 51% in Taiwan and 49% in Macau, cited the increased availability and use of contactless payments as a reason for carrying less cash.



COMPARED TO 2 YEARS AGO, AMOUNT OF CASH IN MY WALLET IS...



REASONS FOR DECREASE



GROWTH IN CASHLESS PAYMENTS EXPECTED TO CONTINUE

Around two in five people in each market expect their use of cashless methods to continue to go up over the coming year.

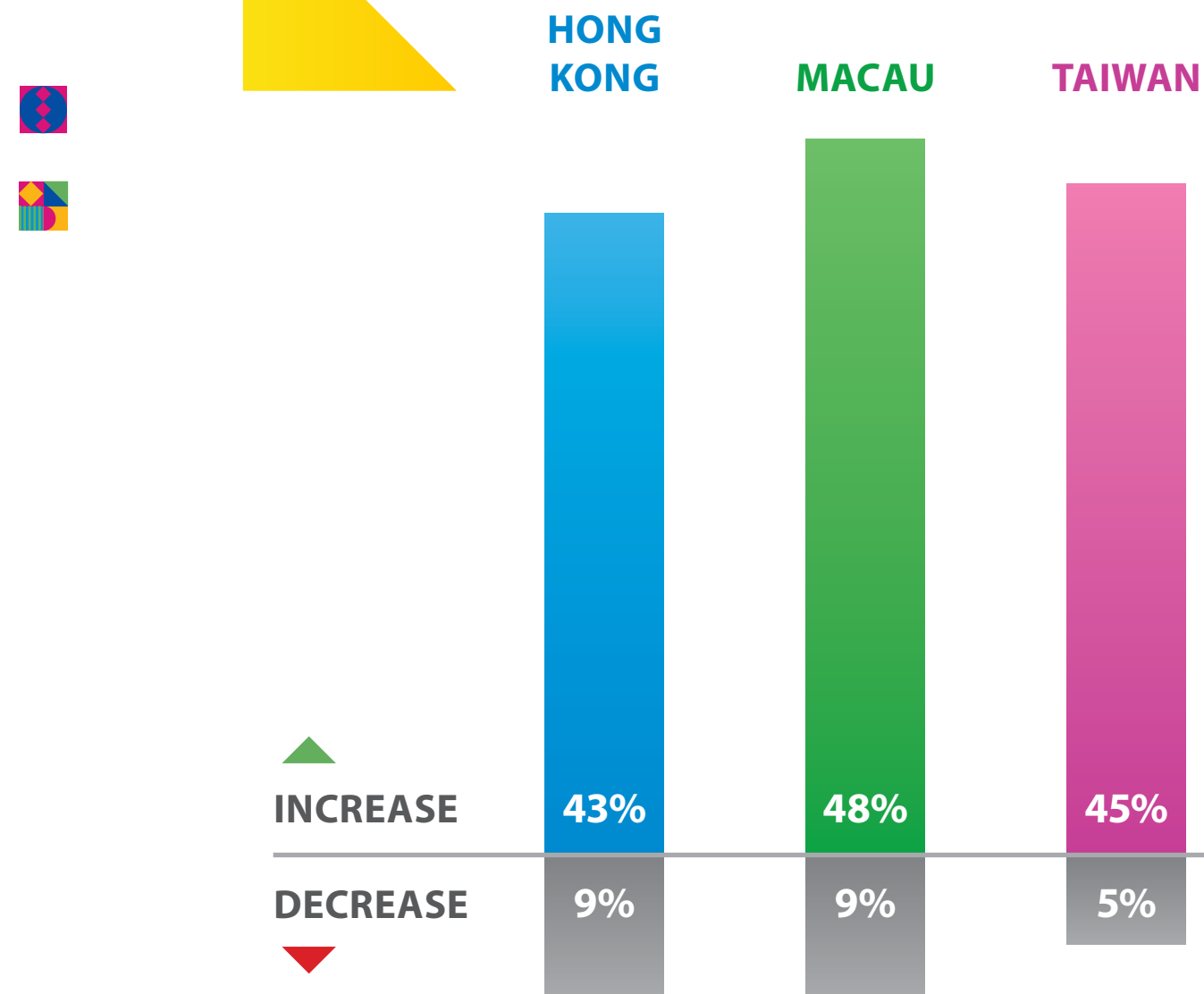
Hygiene continues to be stated as the top reason (61%) in Hong Kong for expecting an increase in cashless payments. Over 40% in Macau and Taiwan hold the same view.

In Macau, 51% of respondents feel cashless methods are quicker and are now more widely accepted. 52% mentioned that it took the least amount of effort.

In Taiwan, rewards and discounts is the top reason for the increase of cashless payments, mentioned by 67% of respondents. This was also considered an important factor in Hong Kong.



IN THE NEXT 12 MONTHS, DO YOU EXPECT YOUR USE OF CASHLESS TO...



REASON FOR EXPECTED INCREASE IN CASHLESS PAYMENTS

More rewards and discounts with cashless method



The quickest form of transaction



More comfortable paying with cashless methods nowadays



Cashless payments are more hygienic



It is more widely accepted



I don't carry much cash anymore



More convenient to manage all payments through mobile



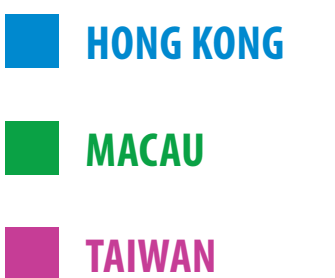
It takes me the least amount of effort



Can be sure the amount being charged is correct



It is a safer, more secure form of transaction





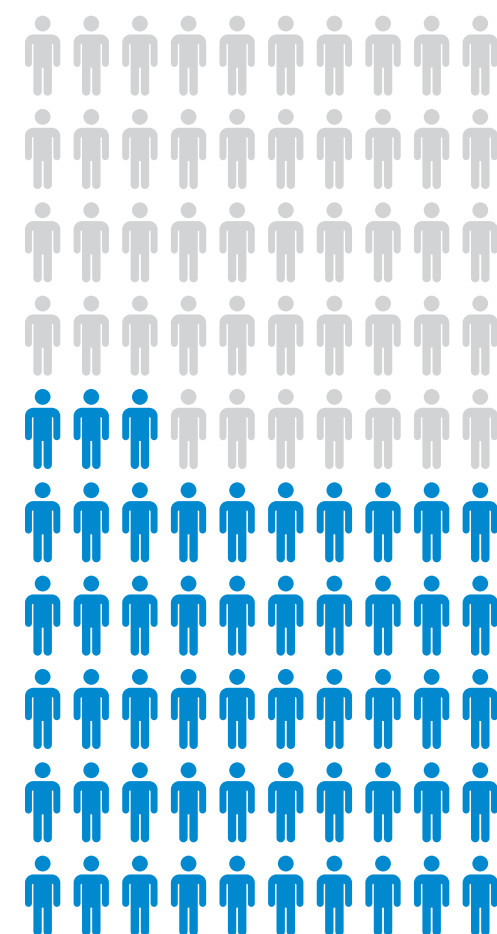
IS CASH STILL KING?



53% in Hong Kong, 48% in Macau and 59% in Taiwan have tried to go cashless at some point. Most managed to last at least a few days without cash, with a quarter in Hong Kong and Taiwan saying they managed for more than a week.

Among those who have not attempted to go without cash before, two-thirds to three-quarters are confident that they can manage without cash for the next 24 hours (Hong Kong – 75%, Macau – 72%, Taiwan – 62%). 50% in Hong Kong, 51% in Macau and 44% in Taiwan remain confident that they can go without cash for the next three days.

WHETHER TRIED TO GO CASHLESS



53%
HONG KONG

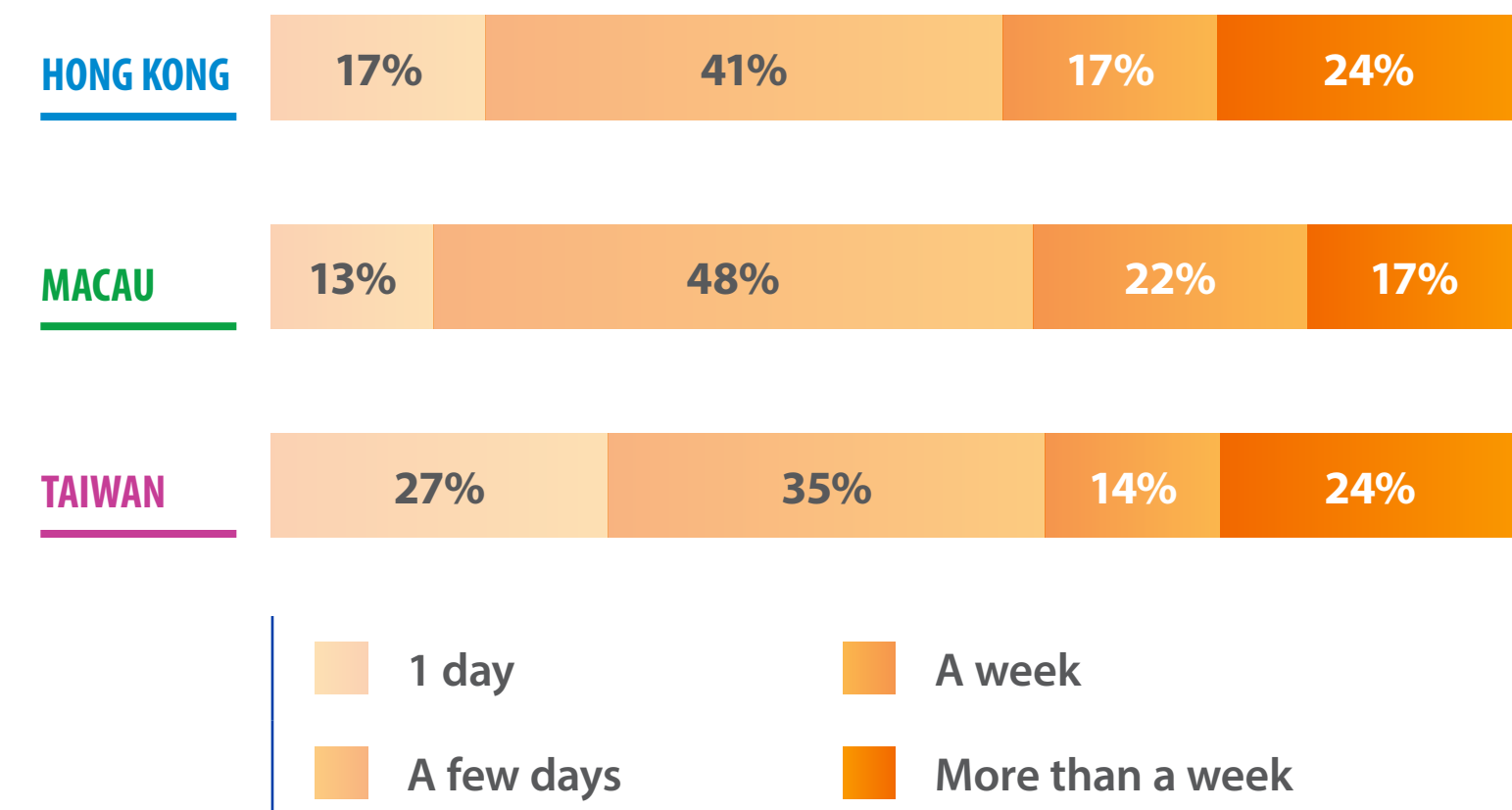


48%
MACAU



59%
TAIWAN

LENGTH OF TIME MANAGED TO GO CASHLESS



WHEN WILL A CASHLESS SOCIETY BE POSSIBLE?

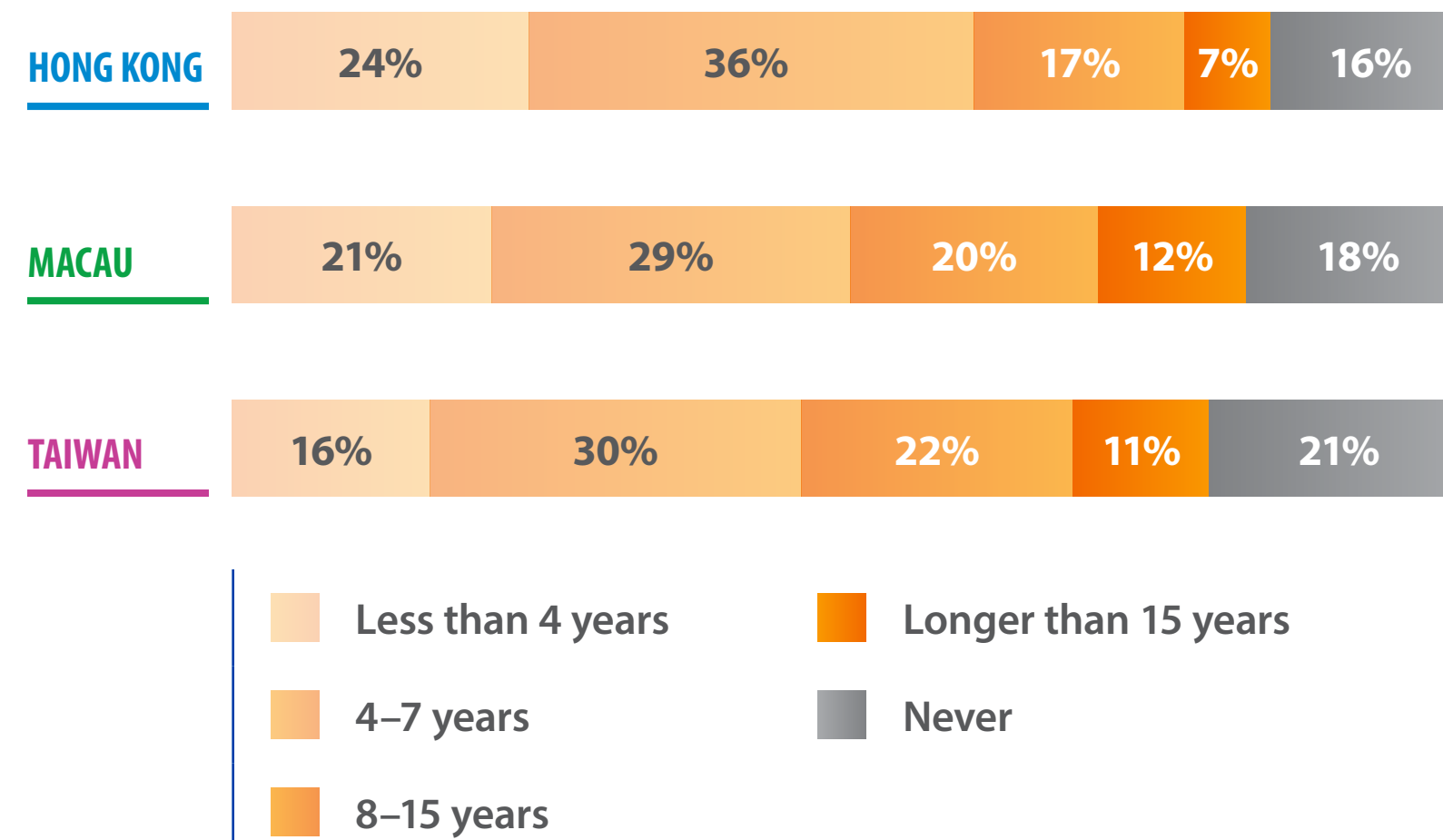


Optimism about the emergence of a cashless society appears to be growing in Hong Kong. There is a notable rise in the percentage of those who expect a cashless society to be possible within three years. **In 2019, it was 19% and this figure has risen to 24% this year.**

In Macau and Taiwan, people expect it will take longer. 50% in Macau and 46% in Taiwan feel it is possible within seven years. However, up to a fifth of respondents in each market say a cashless society will never happen.



EXPECTATION ON WHEN "CASHLESS SOCIETY" WILL BE POSSIBLE



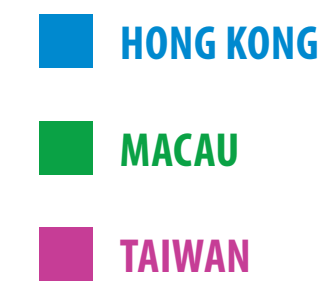
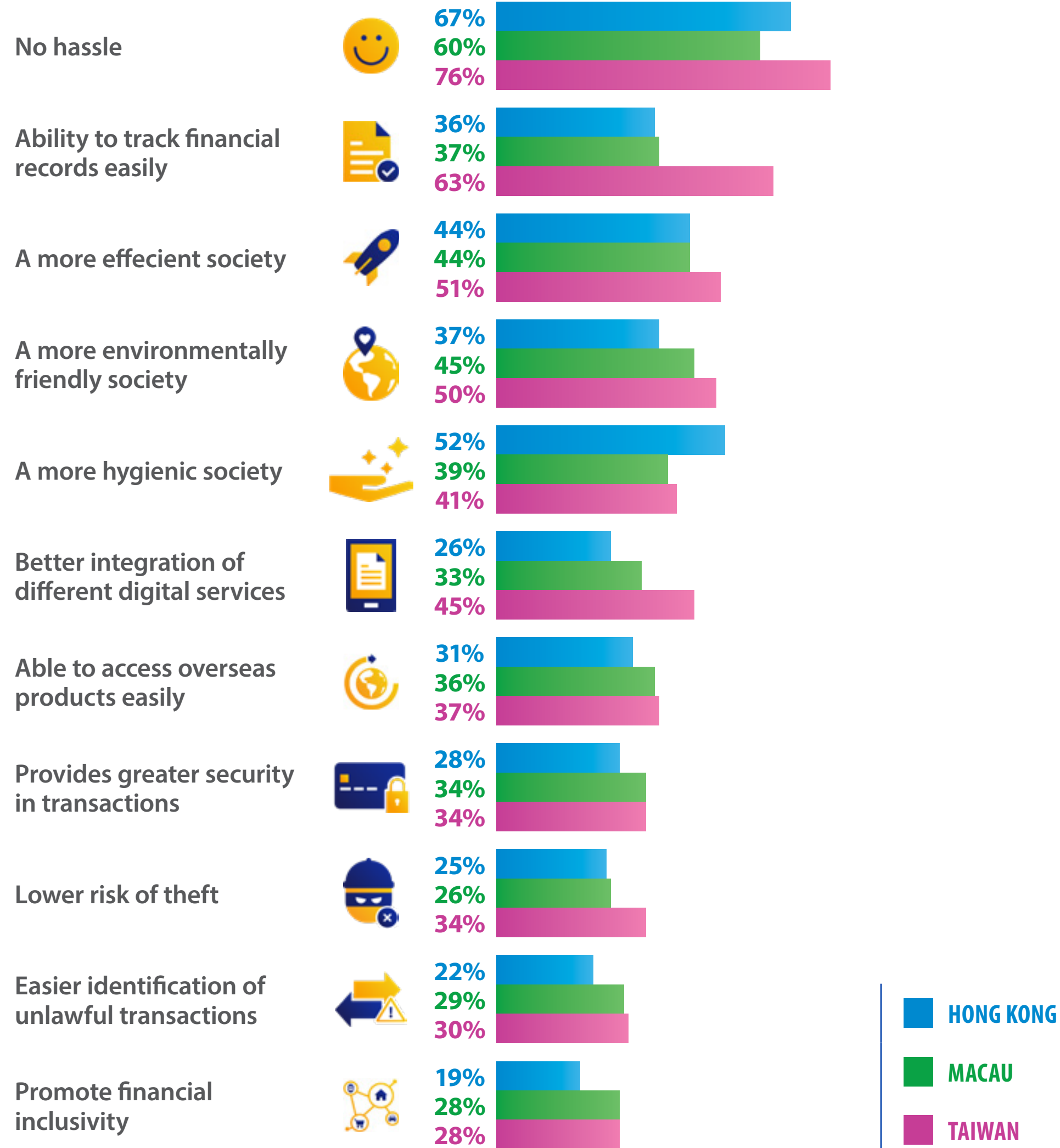


The top four benefits of a cashless society are: easier to track financial transactions; greater efficiency; environmentally friendly and hygienic. The latter aspect is again the most important factor in Hong Kong.

Acceptance of a cashless society is growing across all three markets.



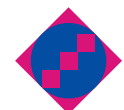
BENEFITS OF CASHLESS SOCIETY



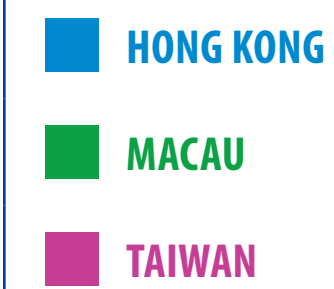
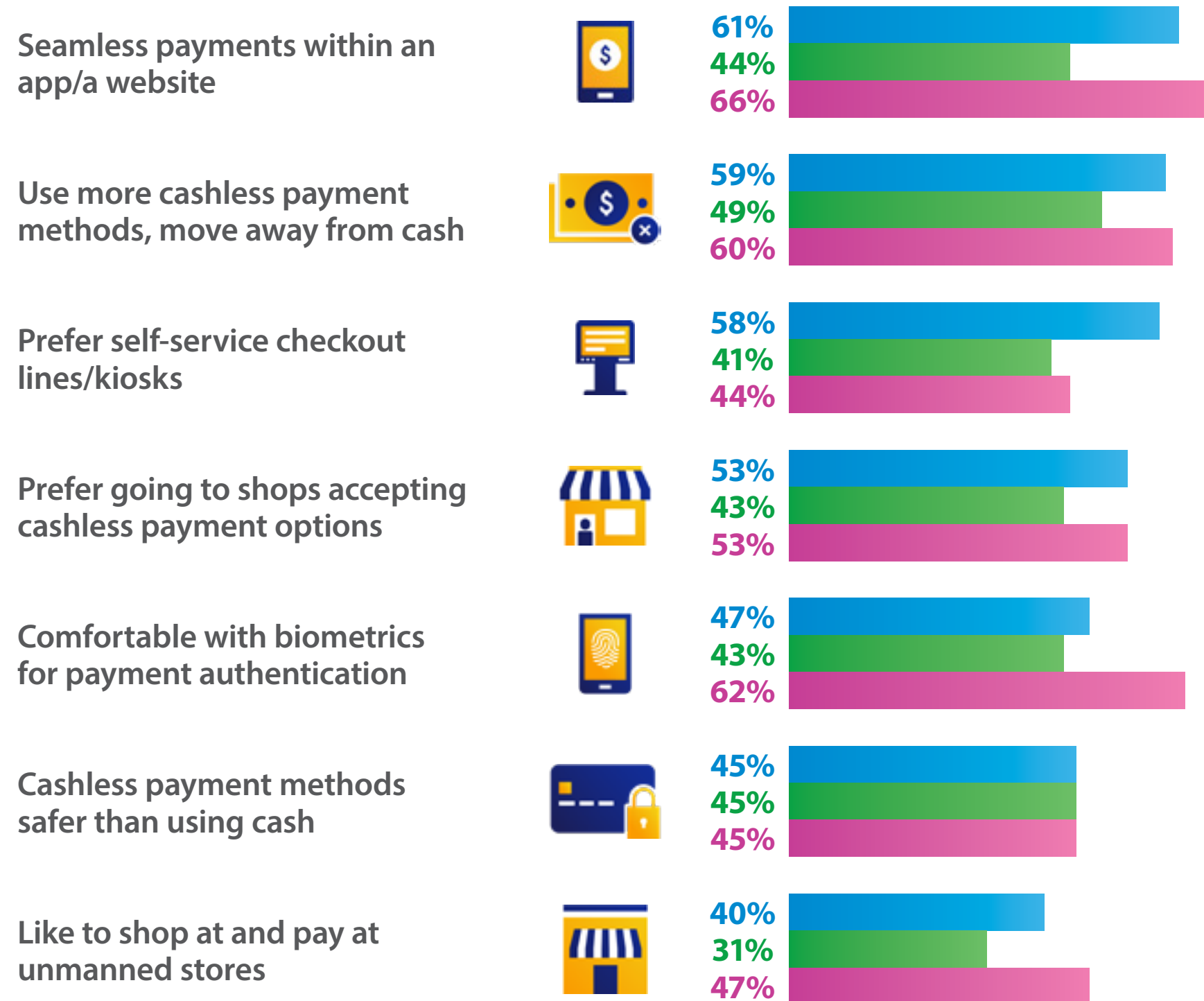


Consumers in Hong Kong tend to be favourable towards cashless payments.

In particular, they are most accepting of self-service checkout lines.



ATTITUDE TOWARDS CASHLESS PAYMENTS (% STRONGLY AGREE/ AGREE)





Hong Kong consumers expect their use of cashless payment methods to increase most at supermarkets and large shopping malls, while in Macau, restaurants are likely to see the highest increase in cashless payments.

Overall, cashless payments are emerging as a way of life, and it looks like they are here to stay, particularly in everyday spend categories such as supermarkets and restaurants.

PURCHASE POINTS EXPECT TO INCREASE CASHLESS PAYMENTS AT (NET INCREASE)



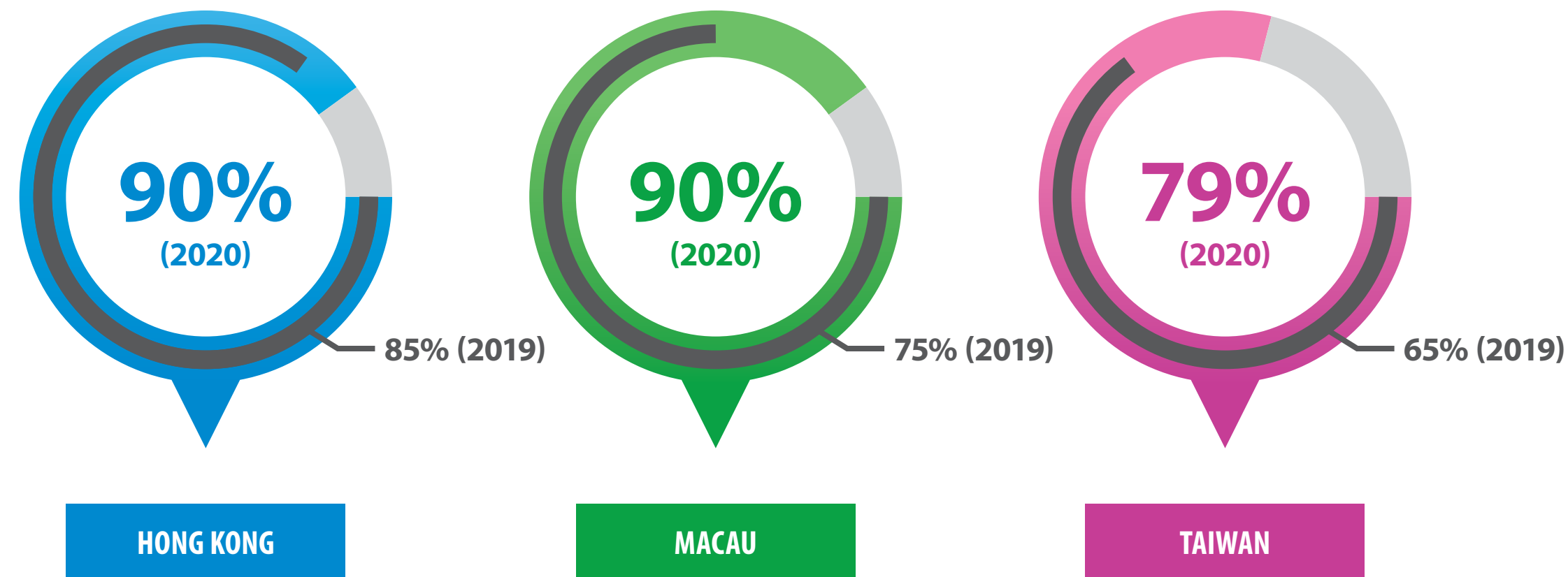
2

THE SEE-SAW: MOBILE WALLETS PASS THE TIPPING POINT



In Hong Kong and Macau, nine out of ten consumers have at least one mobile wallet on their phones, up from 85% and 75% a year ago respectively. Taiwan is not far behind, with 79% of respondents using mobile wallets.

% USING MOBILE WALLETS



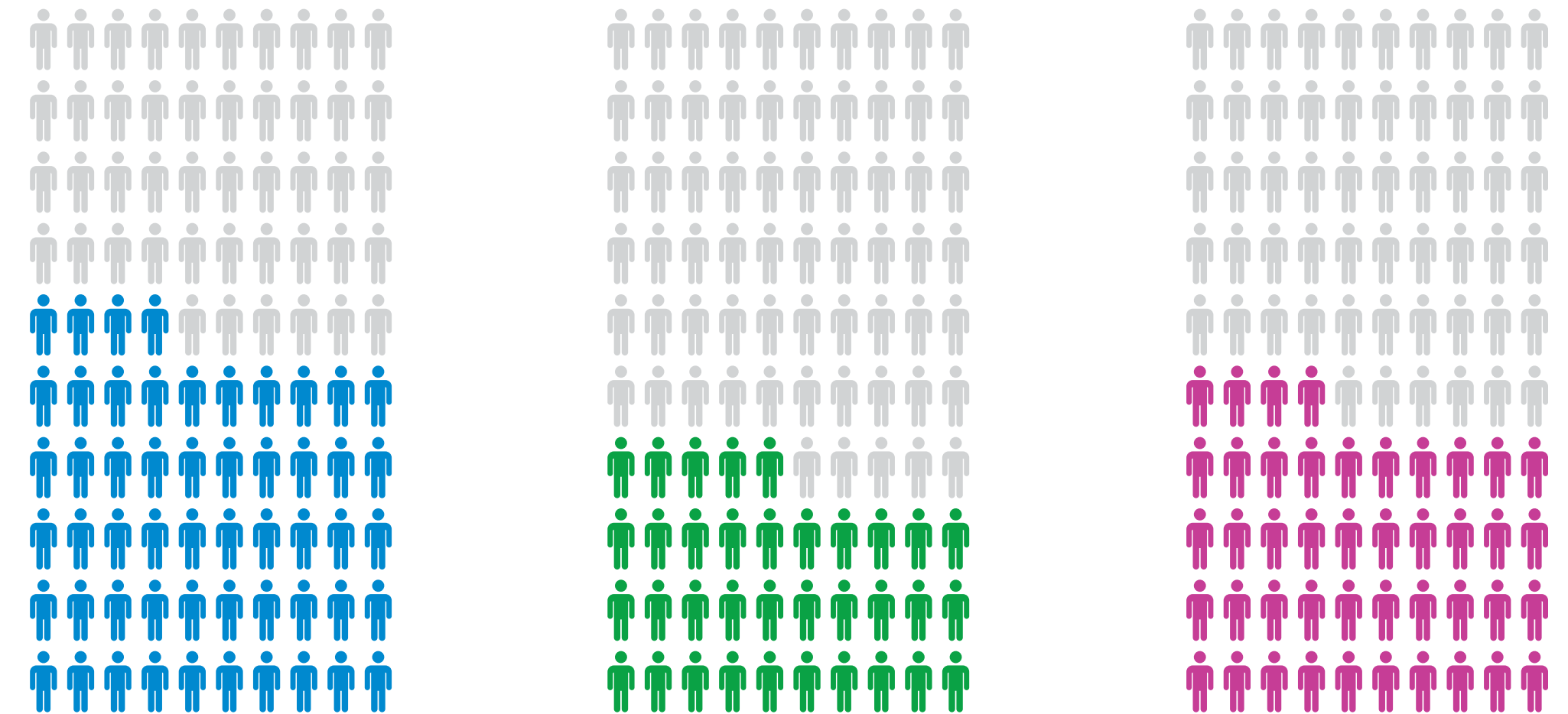
The majority of users have one to two cards linked to their wallet - 79% in Hong Kong, 63% in Macau and 69% in Taiwan.

MOBILE WALLET USAGE INCREASED DURING COVID-19

Increased hygiene concerns has been a driving factor in the adoption of mobile wallets.

54% in Hong Kong, 44% in Taiwan and a third of respondents in Macau have used mobile wallets more during the pandemic period.

% WHO INCREASE USE OF MOBILE WALLETS DURING PANDEMIC



54%

HONG KONG

35%

MACAU

44%

TAIWAN

3

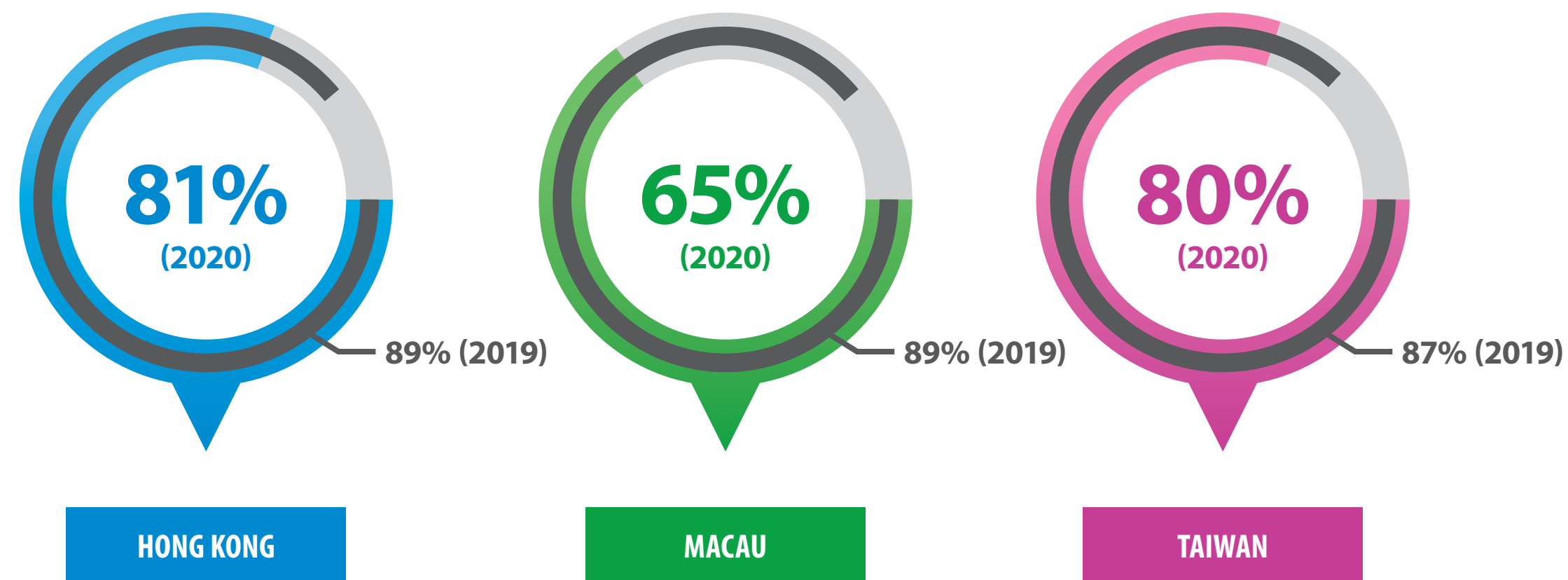
OPTIONS: CONSUMERS SEEKING GREATER PAYMENT CHOICES AT SMALL MERCHANTS

Cash is the dominant payment option when shopping at small merchant outlets. It is used by nine in ten shoppers in Hong Kong and Taiwan and 72% in Macau. However, consumers want more choice in payment methods with credit cards, contactless cards, mobile payments and stored value

cards all expected to benefit from the decline of cash.

There is a drop in the frequency of shopping at small merchants because of the coronavirus, most noticeably in Macau (from 89% in 2019 to 65% in 2020).

% WHO SHOP AT SMALL MERCHANTS AT LEAST ONCE A MONTH

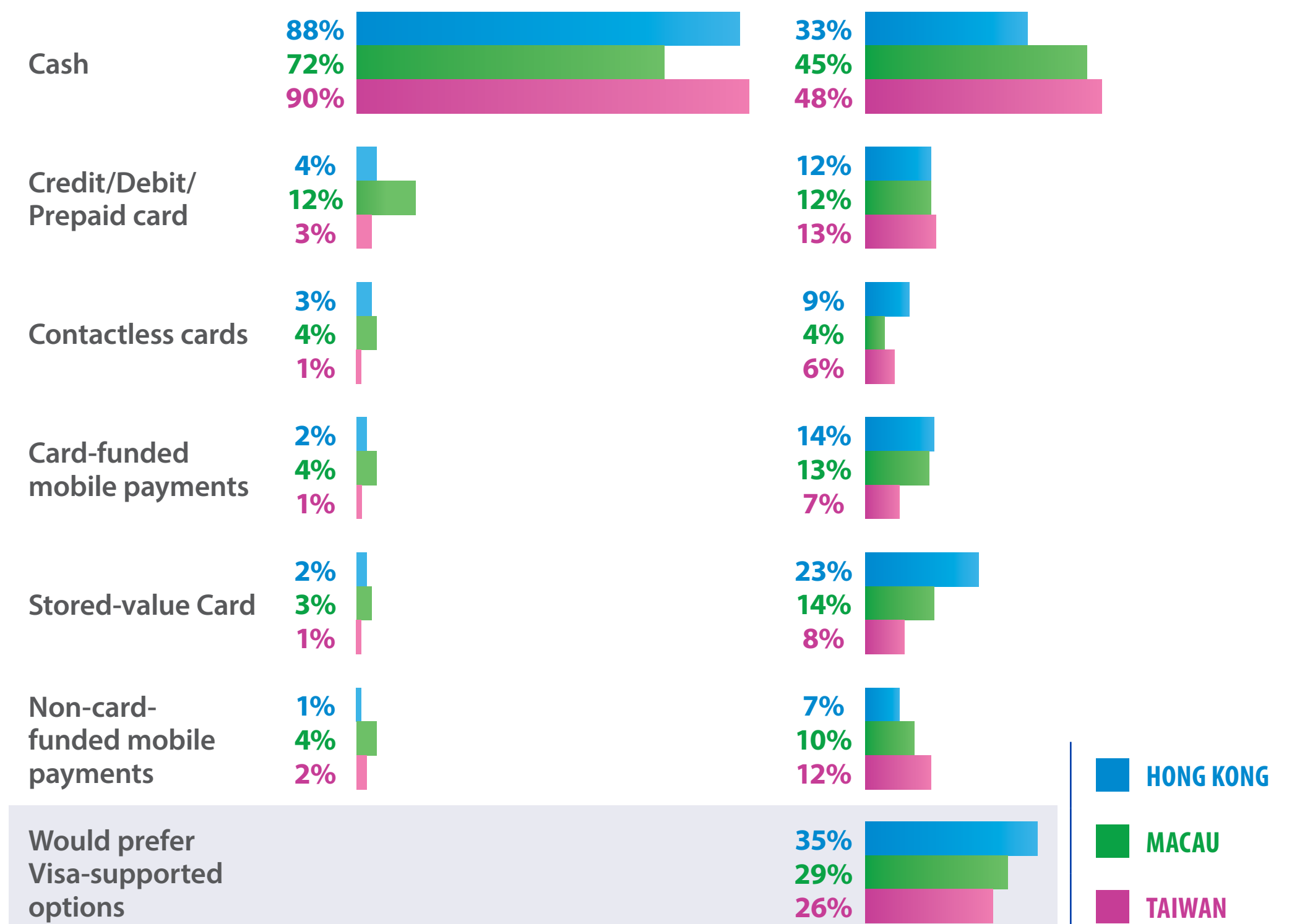


Convenience and speed are the main reasons for using contactless payments.



PAYMENT METHODS USED AT SMALL MERCHANTS

PAYMENT METHODS PREFERRED AT SMALL MERCHANTS



AN OPPORTUNITY FOR SMALL MERCHANTS TO BUILD ONLINE STORES

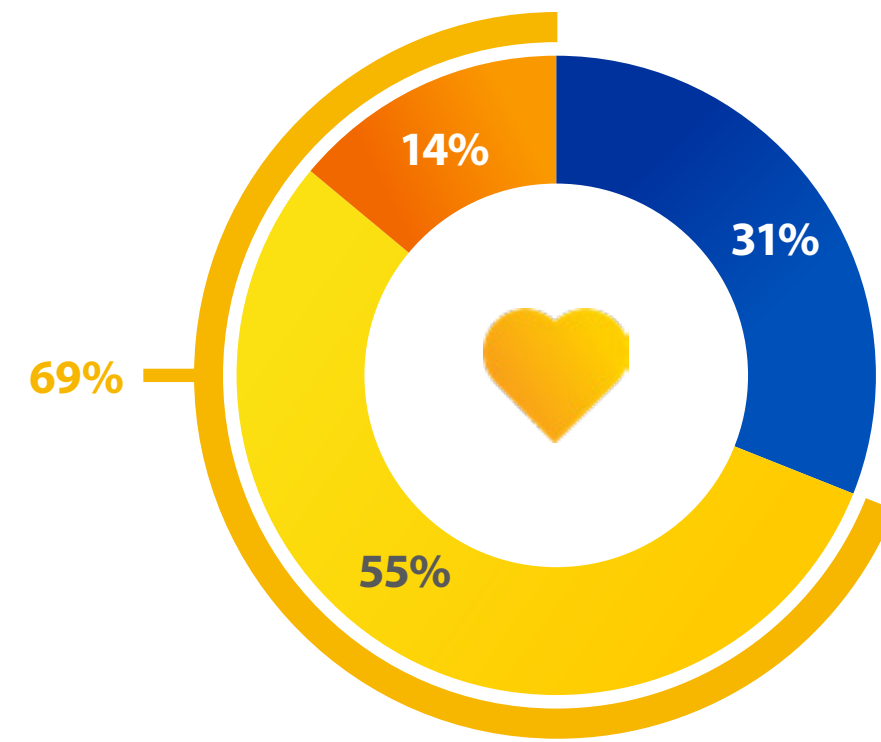


COVID-19 has led many brands, both large and small, to realise that they need to have a robust online presence. 69% of consumers would be open to shopping via websites of small merchants and most would also continue to buy from the physical store too.

A third of consumers expect to spend more with small merchants.



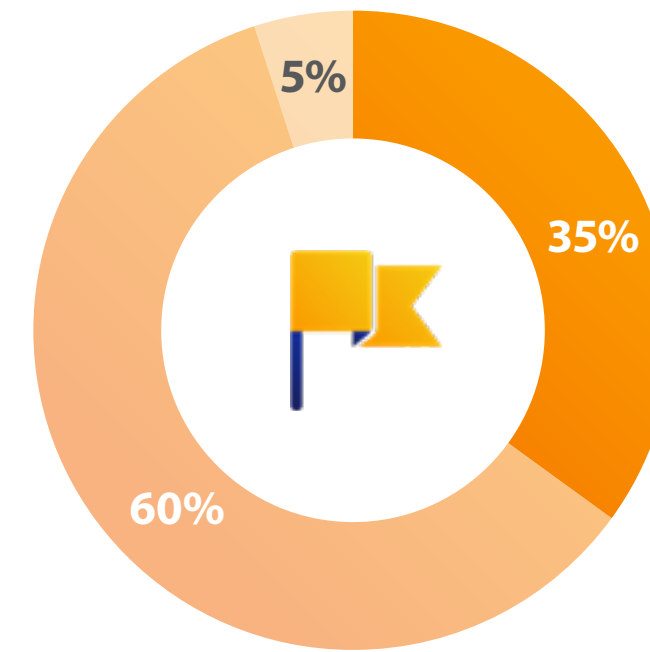
PURCHASE PREFERENCE IF MORE LOCAL SMALL MERCHANTS GO ONLINE



Will mostly buy from...

- Physical store
- Both physical and online store
- Online store

EXPECTED SPENDING IF SMALL MERCHANTS OPENED ONLINE STORES



- More
- About the same
- Less

A quarter of respondents will choose to shop on small merchant websites over large eCommerce platforms. The main reasons cited are to support the local economy, as well as an expectation of finding lower prices and more unique products and services.



4

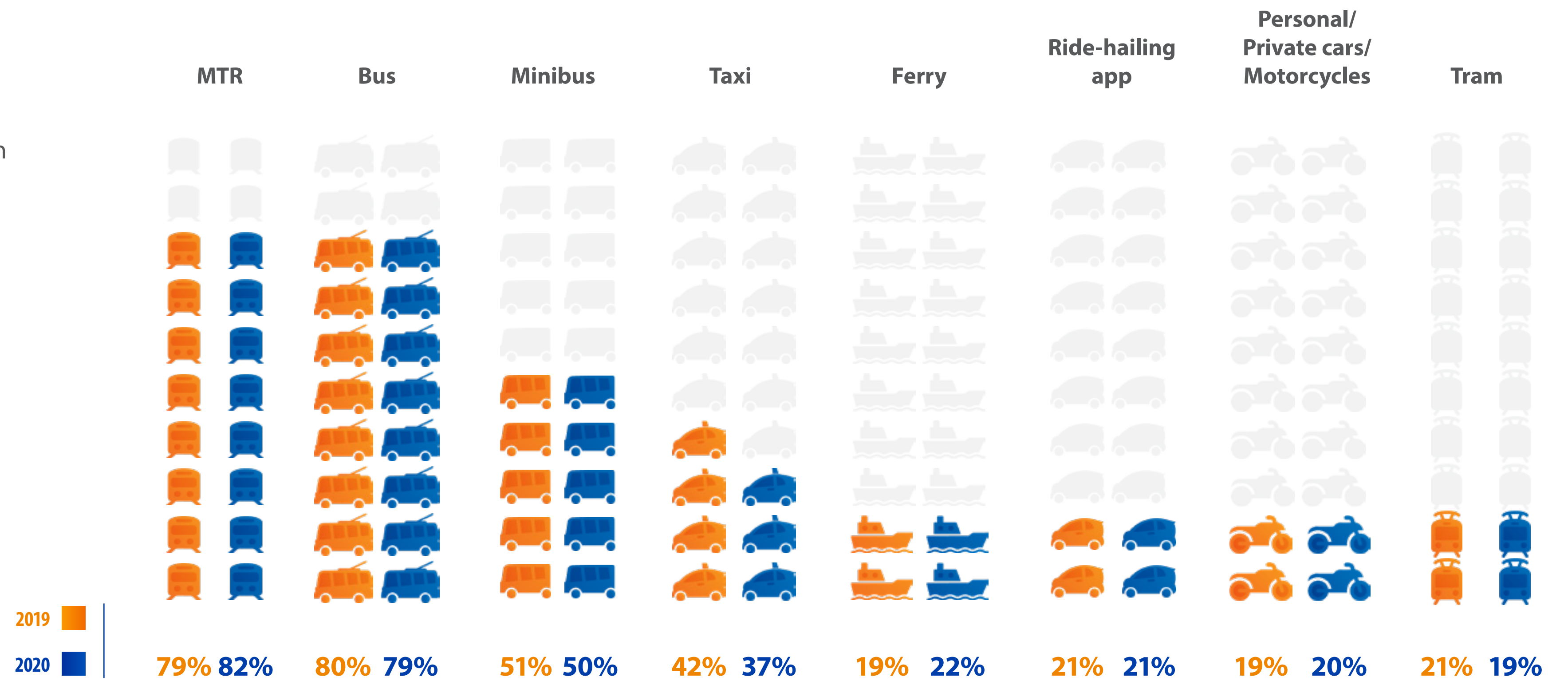
TICKET TO RIDE: CONTACTLESS COMMUTE



Despite the pandemic and lockdown in Hong Kong, the MTR and public buses continue to be the most used forms of transport, while ridership of taxis has declined.



TRANSPORTATION USED— HONG KONG

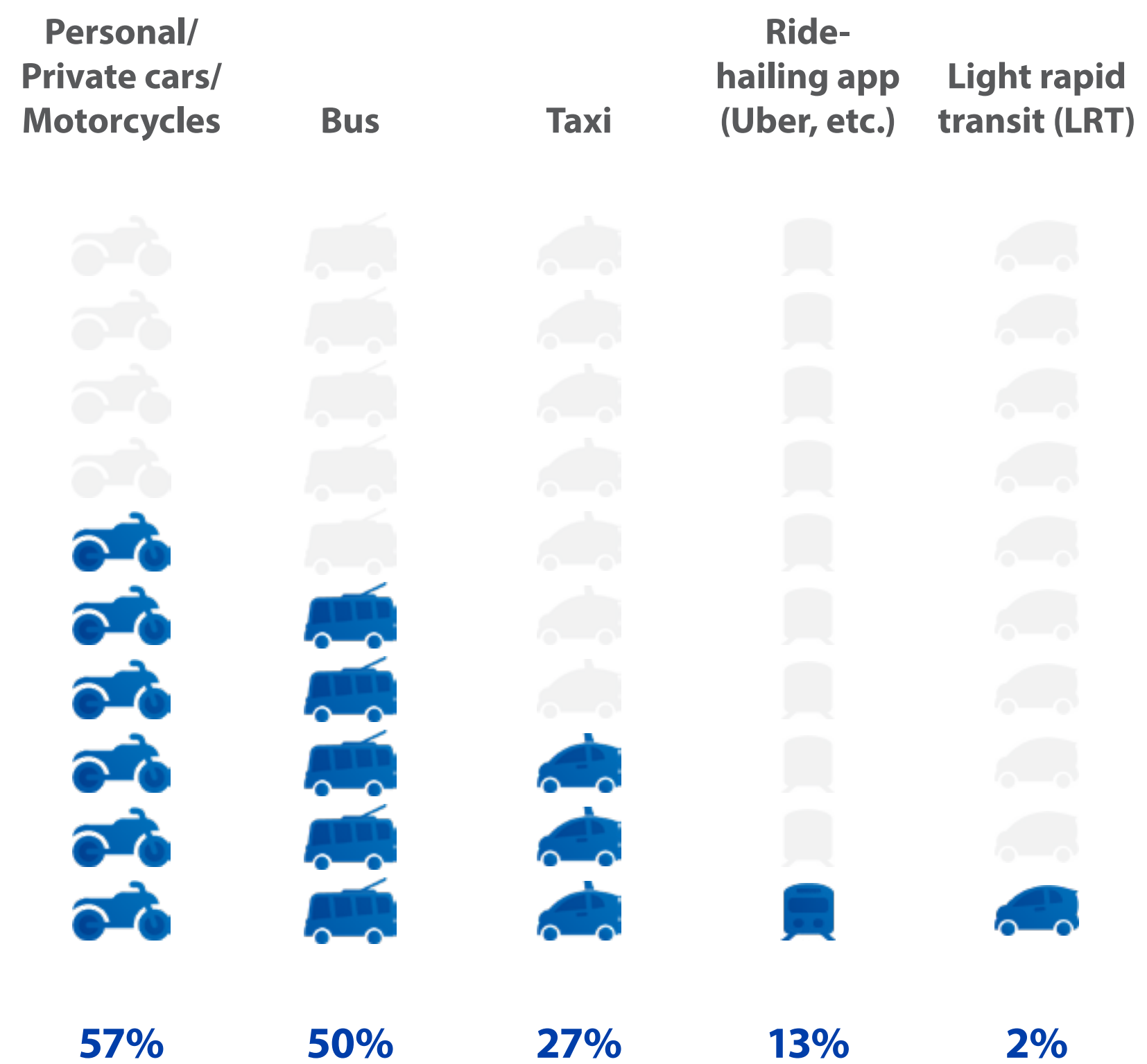




In Macau, the majority of people use private transportation and half use public buses.



TRANSPORTATION USED—
MACAU



2020 ■ |

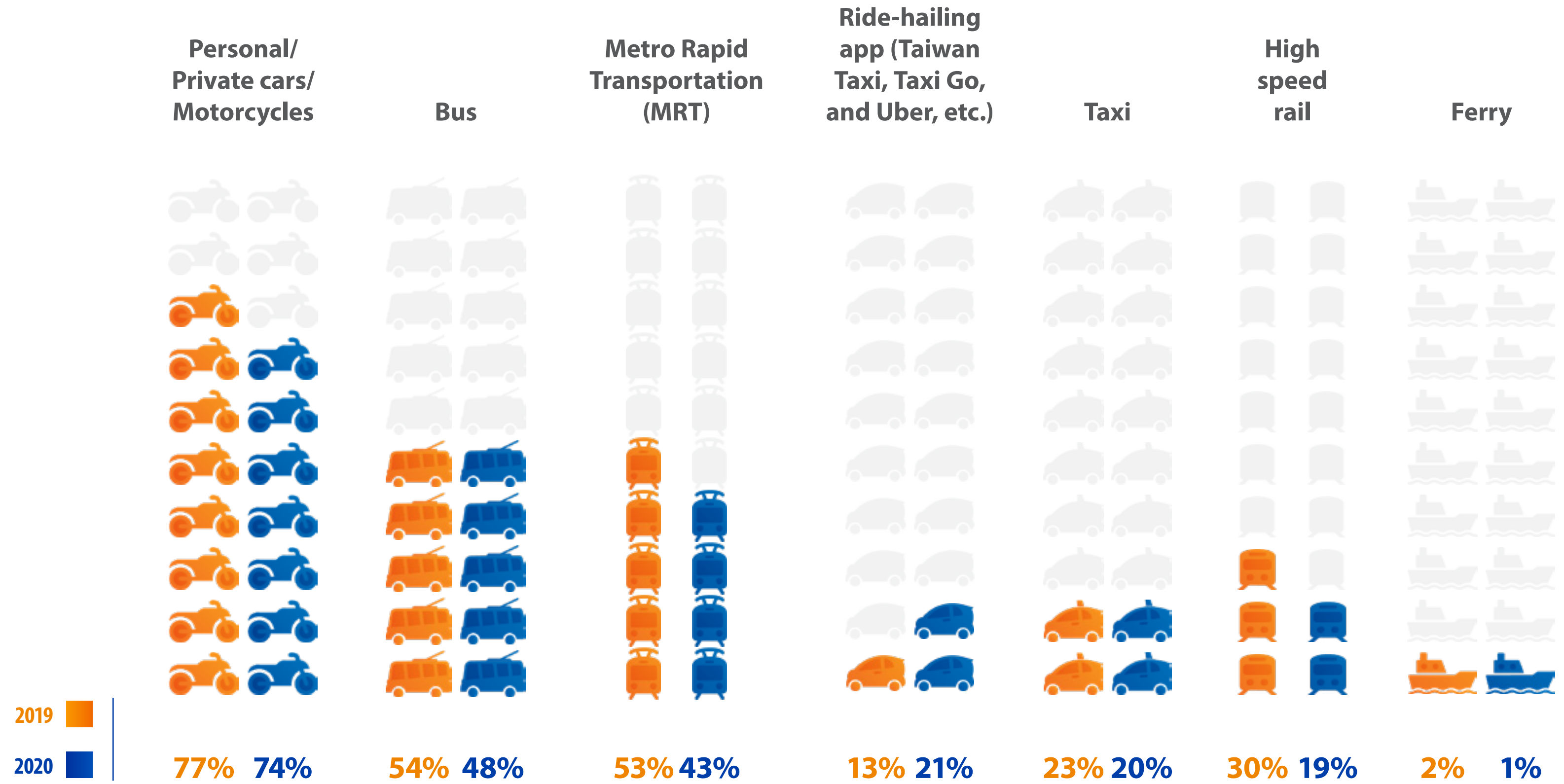




In Taiwan, private vehicles are the primary mode of transport. However, half the population use buses and the MRT and ride-hailing apps are on the rise.

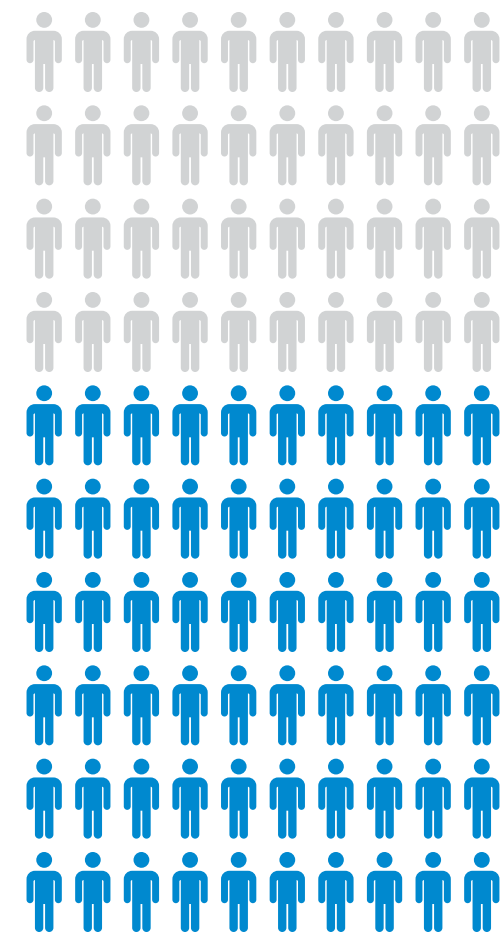


**TRANSPORTATION USED—
TAIWAN**





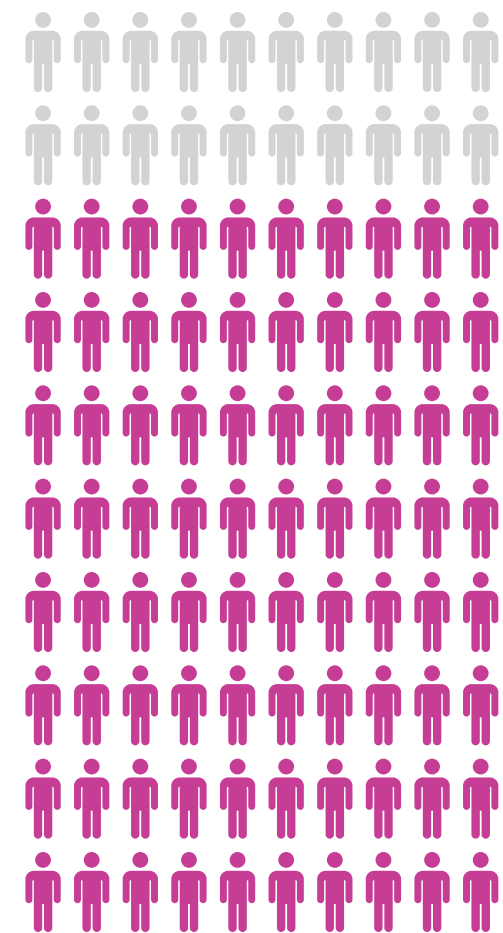
WOULD USE DEBIT/CREDIT CARD FOR PUBLIC TRANSPORT IF AVAILABLE



60%
HONG KONG

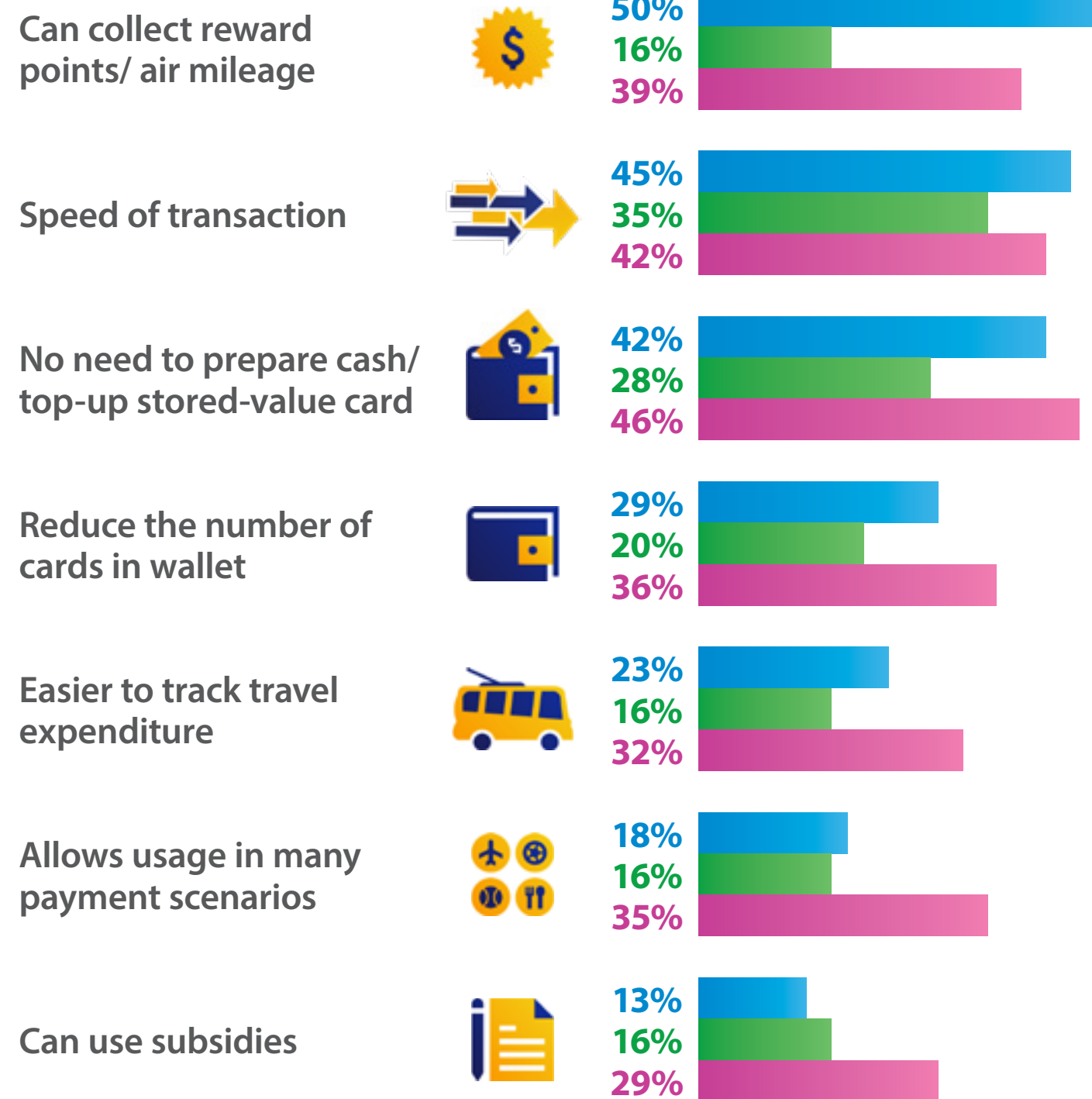


41%
MACAU



80%
TAIWAN

BENEFITS OF PAYING WITH CREDIT/DEBIT CARDS



Stored value cards are the predominant method of payment on public transport. The majority of respondents in Hong Kong and Taiwan and just under half the population in Macau would switch to a credit or debit card to pay for public transport, if the option were made available.



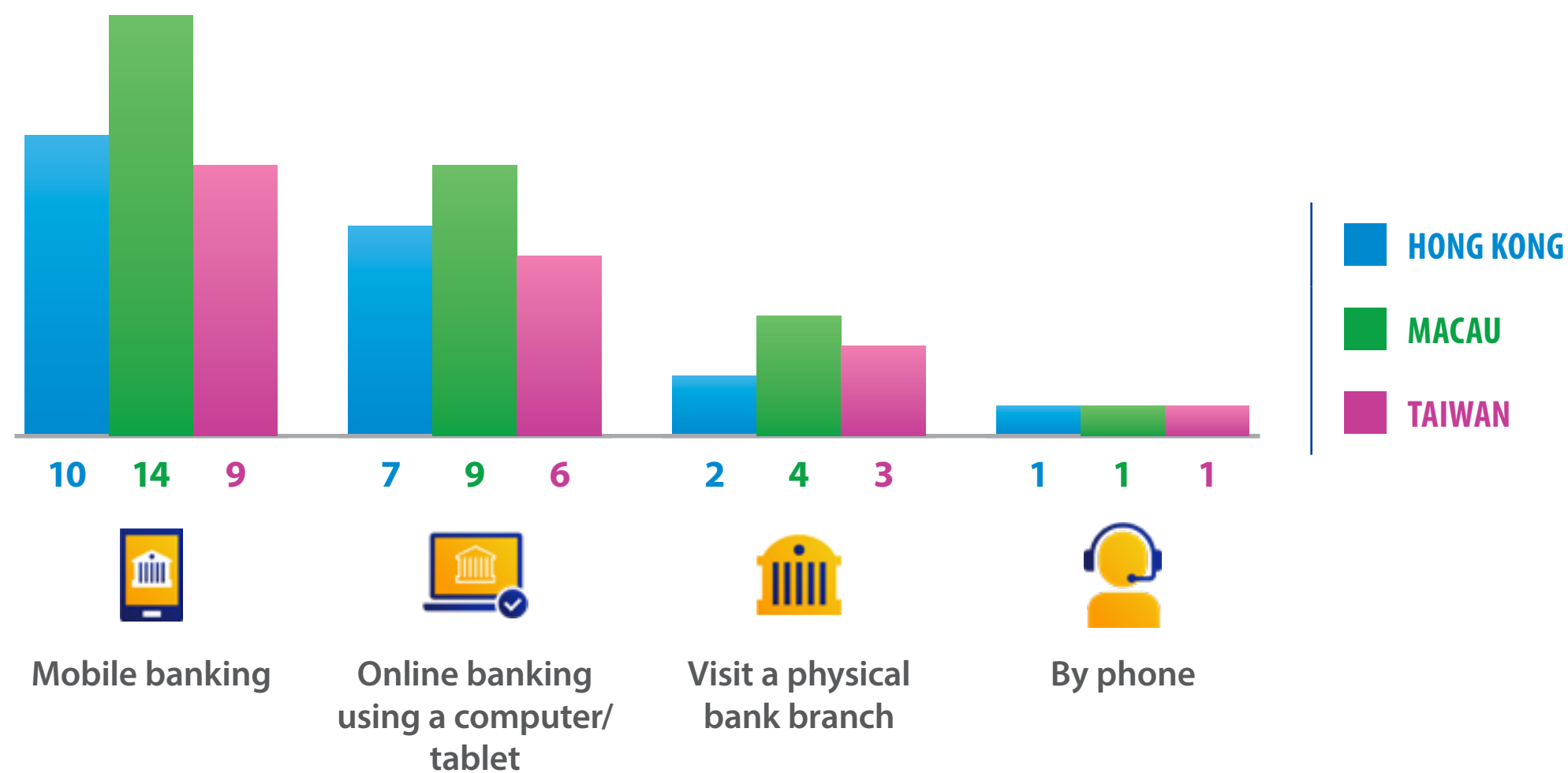
■ HONG KONG
■ MACAU
■ TAIWAN

5

EXPERIENCE DRIVEN: THE RISE OF DIGITAL BANKING

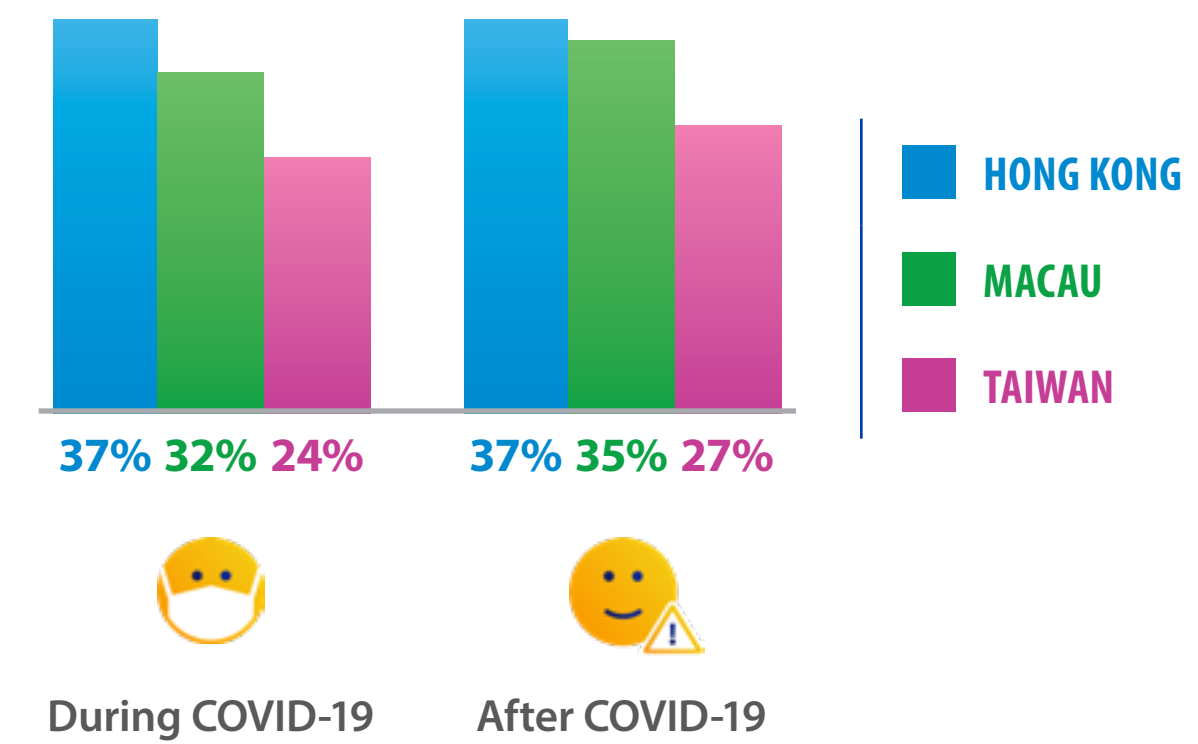
Across all three markets, the majority of people use mobile banking followed by online banking on a computer. Physical branch or ATM visits are much less common.

AVERAGE TIMES PER MONTH USE EACH BANKING METHOD



In all three markets, the use of digital banking increased during COVID-19, particularly in Hong Kong and Macau. People expect to continue using digital banking even after the coronavirus is behind us.

NET INCREASE IN USE OF DIGITAL BANKING DURING/EXPECTED USE AFTER COVID-19





70% say mobile and online banking saves time and 65% appreciate that it can be accessed anytime, anywhere. 64% use it to avoid having to queue at the physical branch.

More than 70% in each market do their mobile banking on their bank's app.

Consumers now carry out nearly all regular banking tasks via mobile banking or online banking. They mainly go into a physical branch for opening an account and to a lesser extent, applying for a credit card, mortgage or loans.



**MEANS OF BANKING USED TO DO COMMON BANKING TASKS IN THE PAST 12 MONTHS—
HONG KONG**

		Open a bank account	Check account or investment balance	Make bill payment	Transfer money between bank accounts	P2P money	Money transfer to merchants	Int'l money transfer	Buy or sell investments	Apply for a credit card	Apply for a mortgage	Get investment advice	Purchase insurance
Physical bank branch		38%	10%	8%	12%	8%	9%	8%	7%	15%	7%	10%	8%
Online banking using a computer		11%	57%	45%	42%	27%	24%	17%	30%	22%	7%	8%	12%
Mobile banking		12%	61%	52%	51%	55%	44%	17%	34%	18%	9%	11%	15%
By phone via service hotline		4%	5%	7%	6%	3%	6%	2%	7%	6%	6%	7%	5%

IMPROVED USER EXPERIENCE DRIVES PREFERENCE FOR DIGITAL BANKING IN HONG KONG



This preference for digital banking over physical branches is largely driven by the user experience. On most aspects of user experience, online and mobile banking are rated ahead of going into physical bank branches.

However, respondents raised some areas where they would like to see digital banking improve, notably on lodging customer service complains and using the chatbots.



BANKING USER EXPERIENCE — % SATISFIED WITH EACH METHOD HONG KONG

	 Physical bank branch	 Online banking on computer	 Mobile banking
Ease of verifying identity/login	70	78	80
User-friendly interface	69	80	81
Ease of finding the right information	63	68	70
Number of clicks/time to open account, apply for card/loan	61	73	72
Ease of submitting documents	60	71	72
Personalized service and offers	61	68	71
Amount of documentation required	63	70	71
Ease of raising complaints	60	58	60
Ease of using chatbots	N/A	57	57



CONTACTLESS USERS LOOK FOR SUPERIOR USER EXPERIENCE AND TRANSACTION SPEED



Credit cards retain several advantages over other payment methods, being seen as the most secure, quickest, easiest to trace spending and offering the most individualized services and offers.

Contactless methods are associated with superior transaction speed and being user friendly. Stored value cards, contactless cards and credit cards are rated the easiest to make payments with.



PAYMENT METHODS RATED ON USER EXPERIENCE HONG KONG



Credit card



Debit card



Contactless card payments



Mobile payment with QR code



Mobile payment with contactless/tap to pay



In-app payments



P2P payments



Stored value card



Payment gateway



	Few number of clicks/ quick to complete a transaction	Easy to trace your spending records with this payment method	User-friendly interface	Secure payment method	Personalized service and offers	Easy to make payments
Credit card	35%	40%	25%	41%	23%	39%
Debit card	22%	25%	18%	29%	15%	28%
Contactless card payments	36%	27%	28%	31%	17%	43%
Mobile payment with QR code	36%	27%	27%	24%	18%	34%
Mobile payment with contactless/tap to pay	35%	26%	26%	26%	18%	37%
In-app payments	32%	27%	29%	28%	17%	33%
P2P payments	29%	24%	26%	27%	14%	32%
Stored value card	25%	18%	21%	31%	12%	42%
Payment gateway	26%	22%	24%	24%	13%	28%

HOW USER EXPERIENCE CAN DRIVE USER ADOPTION OF NEW DIGITAL SOLUTIONS



Financial institutions face a host of new challenges, from lean and nimble fintechs to tech giants moving into the financial services and payments industries. And consumers are demonstrating increasing interest in the experiences these new players offer.

In this incredibly innovative and dynamic market, the businesses that will emerge as winners will be those who can deliver on the four pillars that customers seek: value, choice, convenience and security.



VALUE

Consumers want the best value and shop around for it. Merchants want to attract and retain loyal customers. This is where loyalty programs – typically in the form of providing offers, discounts, rewards and other benefits to reward loyalty – come into play. Visa’s experience is that merchants with top class loyalty programs benefit from an increase in customer spend.

Gamification is one element that makes the user experience more engaging and fun for users. While QR payments are often associated with gamified payments, other technologies being piloted by Visa also promise to deliver a rich experience.



The “PlayDee” app lets consumers advance in the game through using their card. This also allows consumers to win micro-rewards such as discounts or rebates and participate in a challenge to win game ‘badges’ and advance on the app’s leader board.

In a six-month trial, 60% of active PlayDee users opened the app more than ten times a day and 42% began engaging with the game within five minutes of receiving a notification – extremely high levels of engagement by any standard.

CHOICE

Customers want choice in the buying process. For example, if they are hungry and do not want to leave their house, a restaurant meal can be delivered directly to their door. Consumer choice is enabled by the blending of online and offline worlds. And savvy retailers are offering both, often as part of the same purchase experience.

Frictionless payments experiences are an integral part of the overall experience and technologies such as card-on file (COF) Tokenisation – which turns sensitive card details into a unique code so that it can be safely used across the internet or wireless networks – are critical to make it possible. It also makes solutions like instalments possible at the moment of checkout.



 **CONVENIENCE**

Typically, on a busy night, service staff at bars and restaurants are stretched, resulting in longer wait times and potentially more disgruntled customers. Utilising technologies like Near Field Communications (NFC), Bluetooth, COF Tokenisation, or QR codes, a bar or restaurant can not only overcome some of their existing service challenges but at the same time deliver an easy, stress-free and more relaxed experience to their customers even on the most crowded nights.

For example, users of the NFC-enabled Me&U™ app can tap see a menu on their phone at restaurants. This allows them

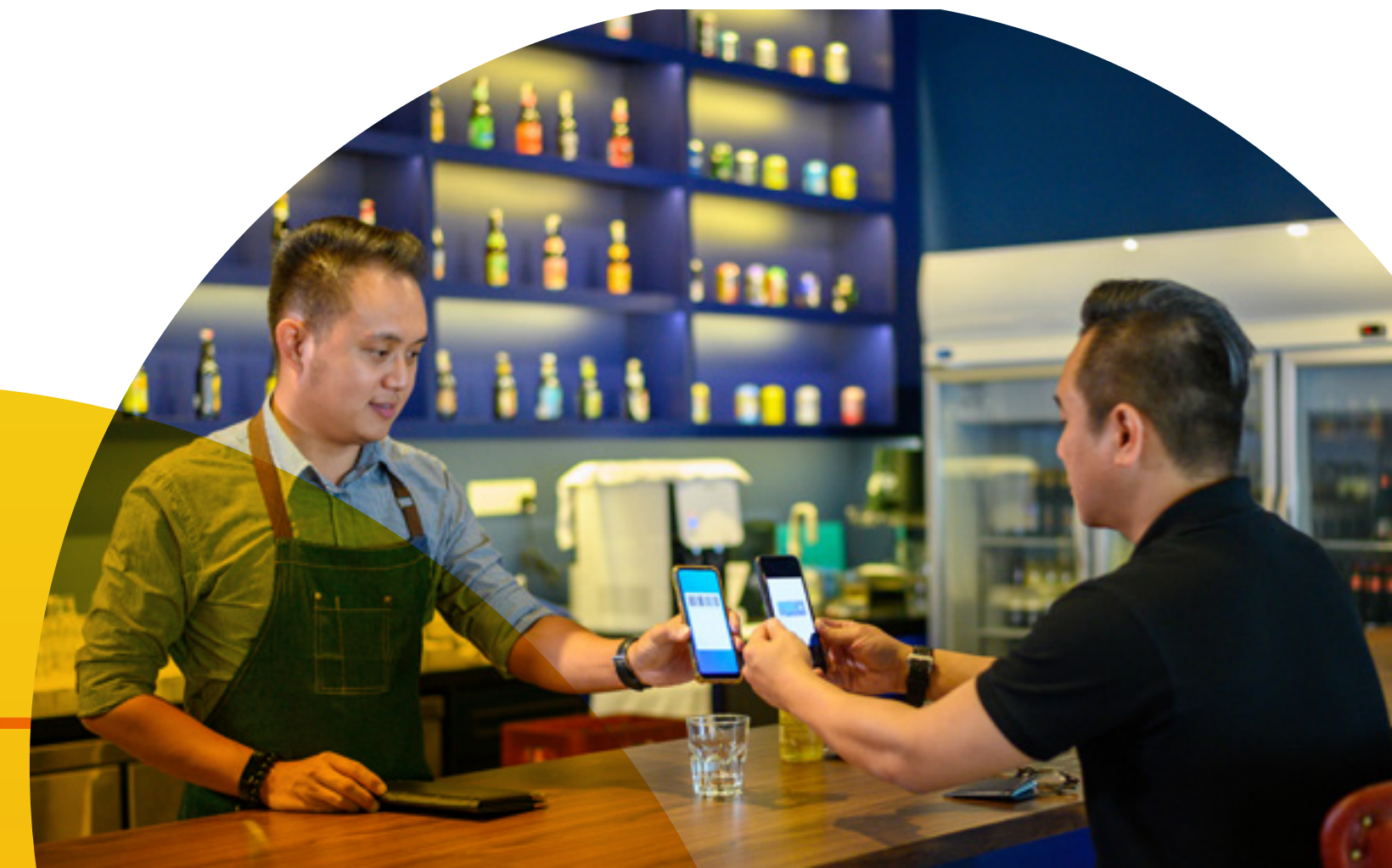
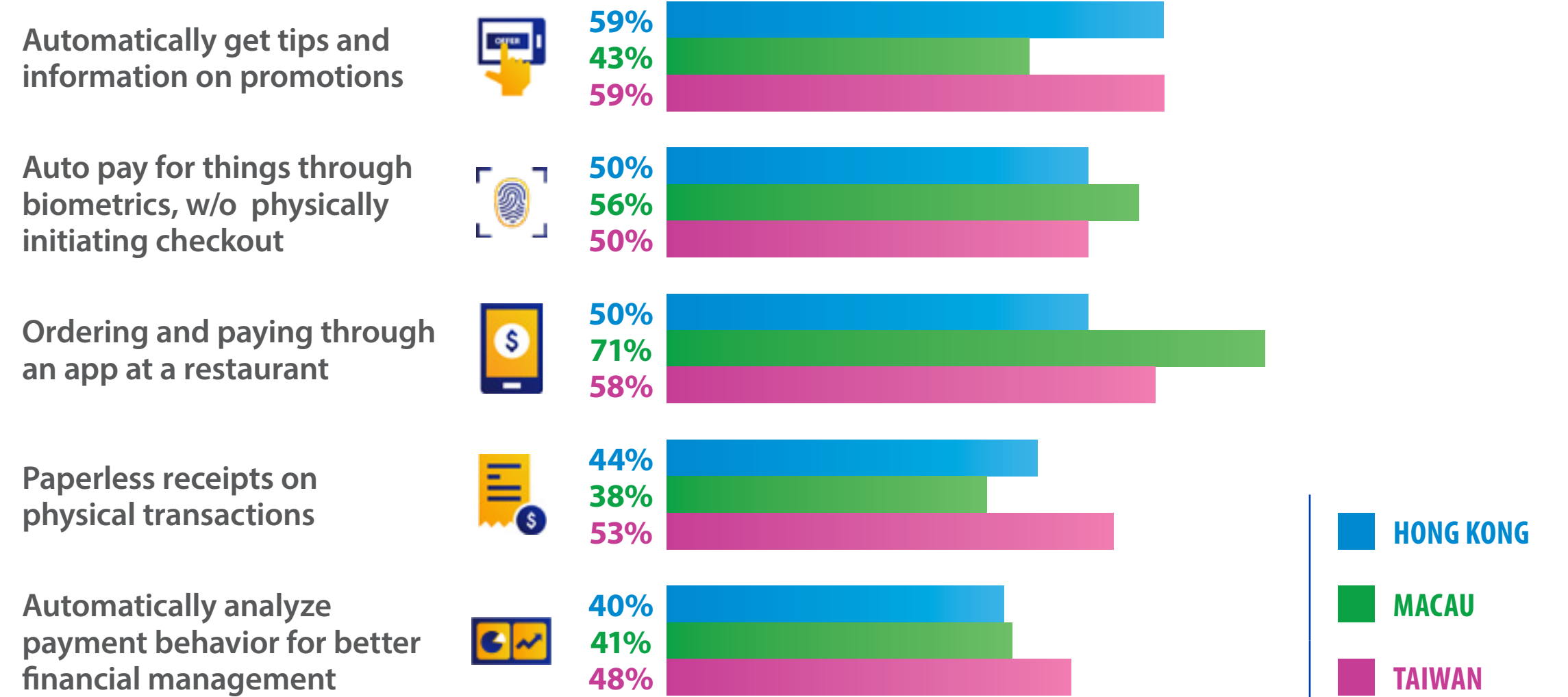


to place an order and pay for it via the app using their Visa card and card-on-file security technology. The wait staff only make an appearance when they serve the food! This reduces the load on the staff, while simultaneously delivering a smoother experience for customers.

Consumers in the three markets have stated that they would welcome these innovations. More than half of the consumers in each market find the ability to order and pay through an app at a restaurant appealing, with the highest in Macau at 71%.



ATTRACTIVENESS OF EMERGING PAYMENT TRENDS
(% RATED 'ATTRACTIVE' OR 'EXTREME ATTRACTIVE')



SECURITY



While value, choice and convenience are critical to providing a superior payments experience, security remains the cornerstone of building trust. Fraud is an area of concern for consumers, and technology such as two-factor authentication ensure that all online purchases are genuine.

Consumers want to be in control of their security, and Visa gives them the right tools to take charge. For example, parents wanting to manage and monitor their children's transactions can set up rules for payment use and receive notification for financial transactions through Visa Transaction Control APIs, which protect not only Visa transactions, but also transactions made on other payment networks.



A 'PICK AND MIX' OF SOLUTIONS

As the retail and hospitality environments become more complex, the best payment experiences will be those that leverage a combination of technologies, all of which must work together seamlessly.

At the same time, security needs to keep pace with innovation in order to maintain consumer trust in merchants and payment providers. Visa offers a 'pick and mix' of solutions for every type of purchase, from market stalls to major retailers.



6

AWARENESS AND TRUST: VIRTUAL BANKS AT THE CROSSROAD



Virtual banks are banks that provide all of their services online. Customers have access to all the typical services offered by regular banks – deposits, withdrawal of cash, loans, investment services, credit and debit cards and payment services.

In 2019, virtual banks licenses had been granted in Hong Kong and Taiwan. By the time of this survey in August 2020,

most of the eight virtual banks who were granted licenses had launched operations or pilots in Hong Kong – ZA Bank, Airstar Bank, Mox, Livi, WeLab Bank and Ping An OneConnect Bank.

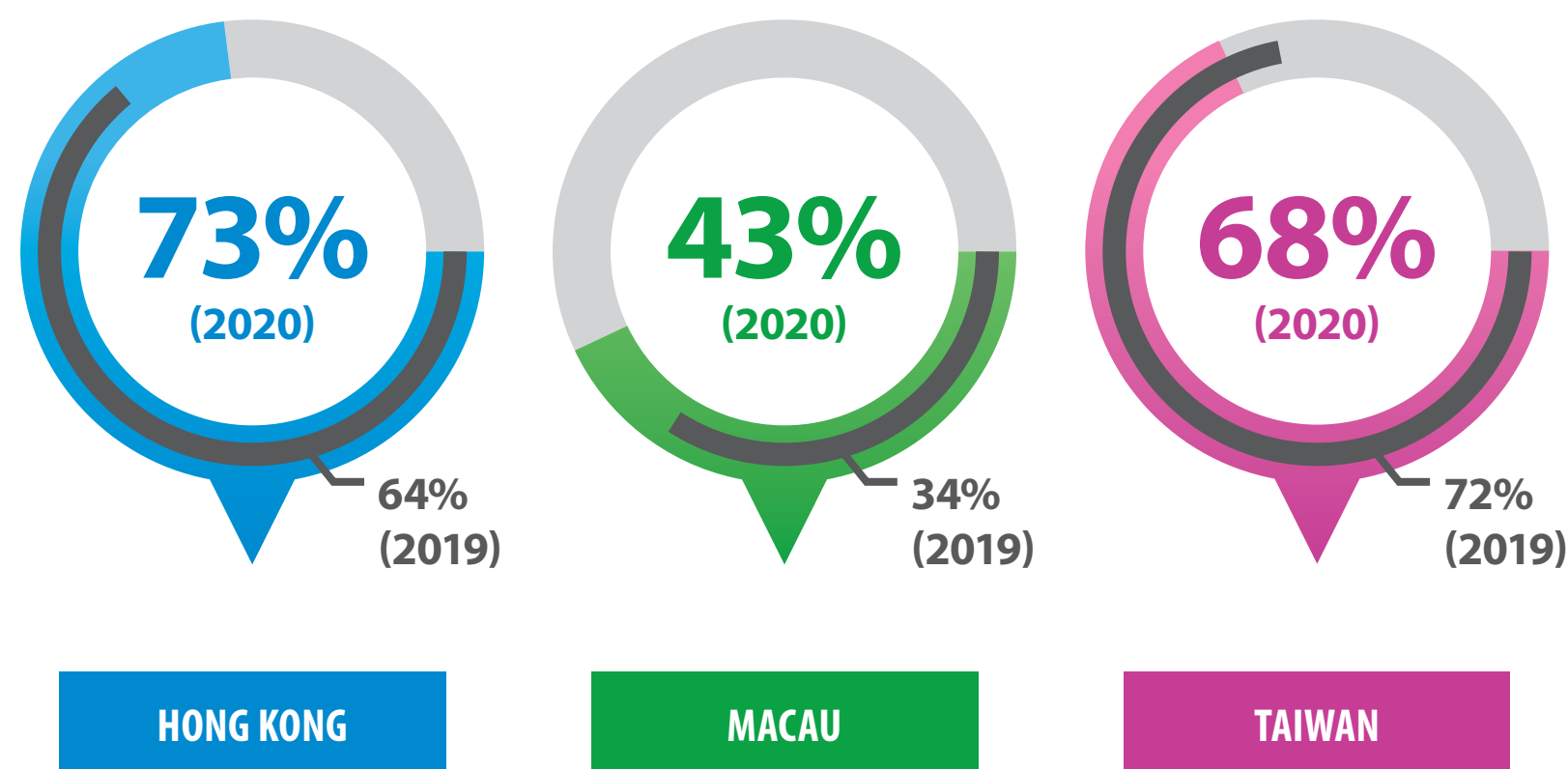
In Macau, there is no separate virtual banking license required. Ant Bank, launched last year, started taking deposits in August 2020. Macao Development Bank Ltd (MDB), also registered in 2019, started marketing their services in 2020.

In Taiwan, the launch plans of the three licensed virtual banks are expected to be approved by the end of 2020.

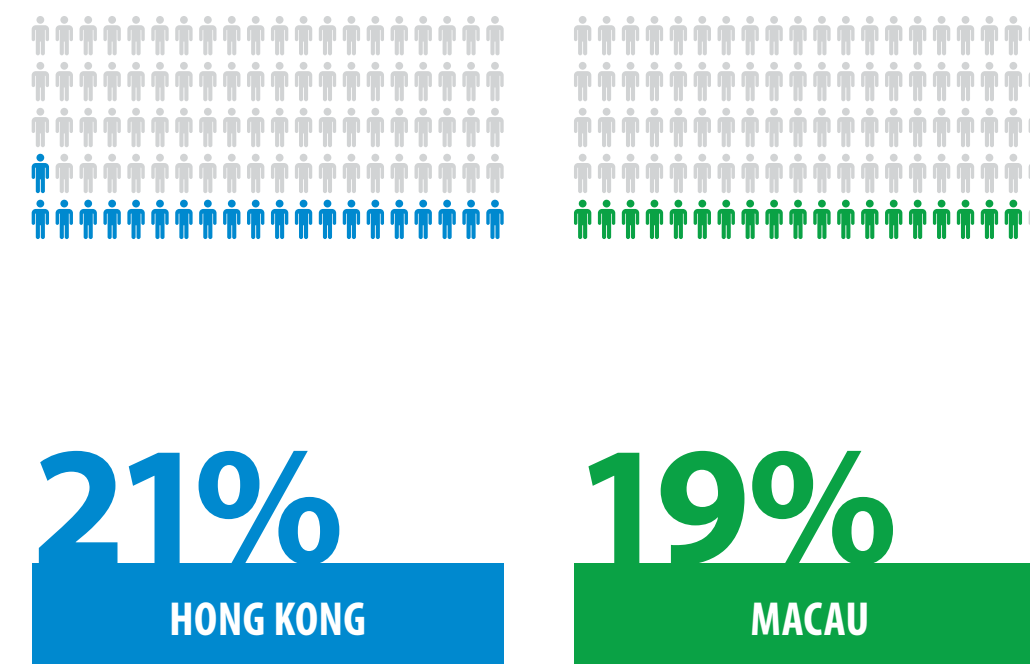
In line with the activity, awareness of virtual banking is highest in Hong Kong at 73% and has increased since 2019. Taiwan’s level of awareness is at similar levels as Hong Kong. Awareness is lower in Macau at 43%, but this is up from 34% in 2019.

A fifth of respondents have opened a virtual bank account in Hong Kong and Macau. However, interest among non-users to open a virtual banking account has waned in these markets. In Taiwan, where accounts are not yet being offered, interest is higher at 51%, though down from 2019.

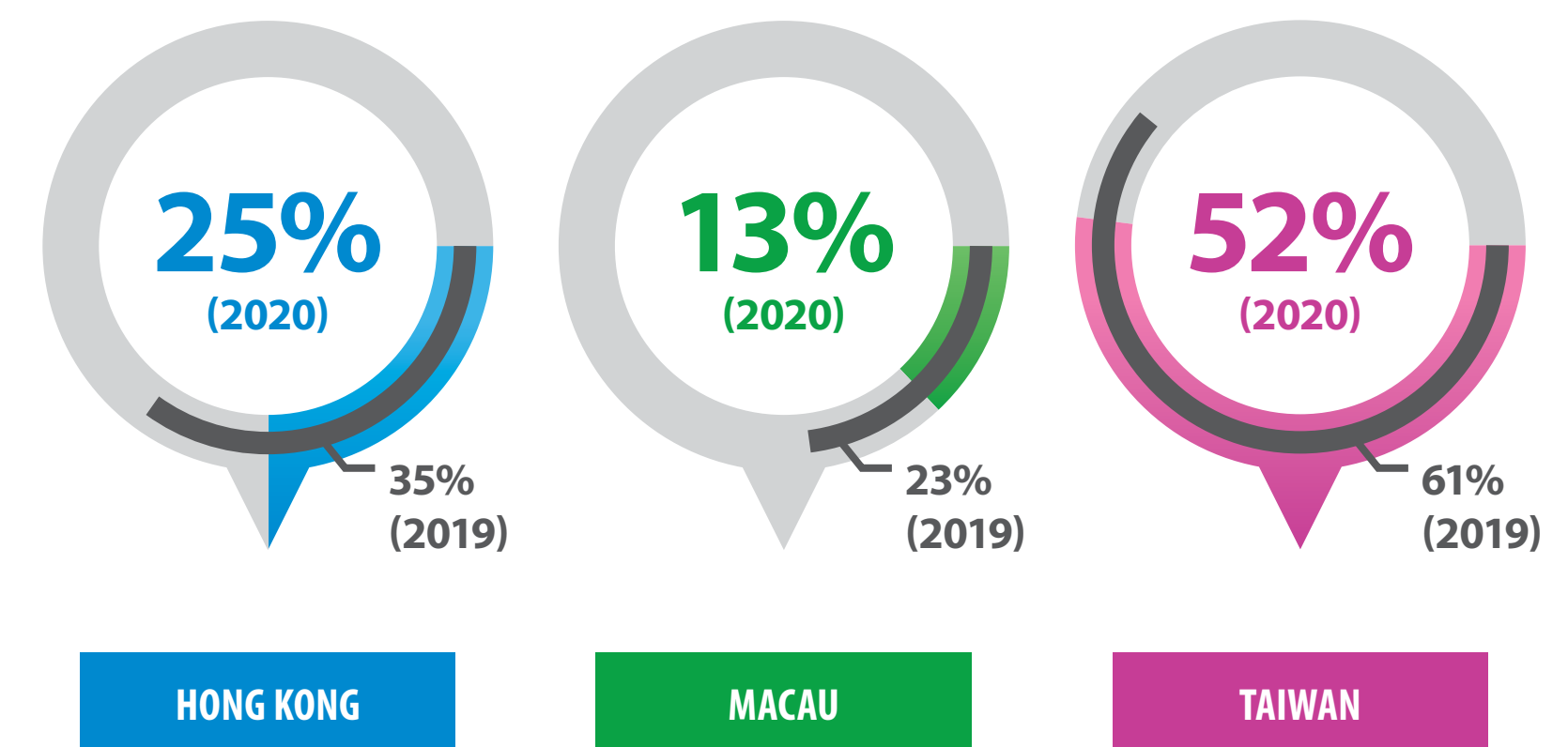
VIRTUAL BANKING AWARENESS



WHETHER OPENED AN ACCOUNT



LIKELIHOOD OF OPENING AN ACCOUNT IN THE FUTURE (AMONG THOSE WITHOUT VB ACCOUNTS IN 2020)

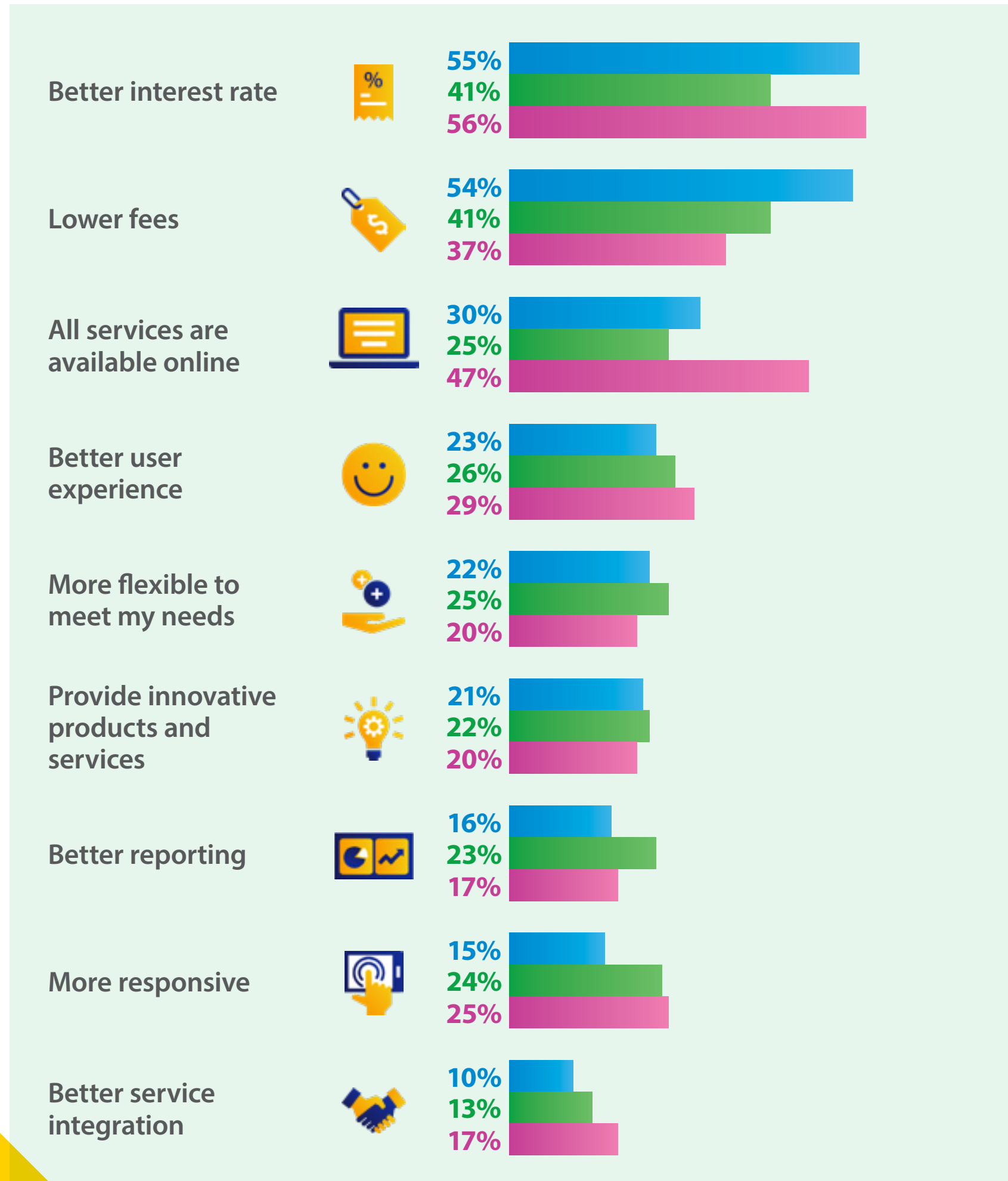




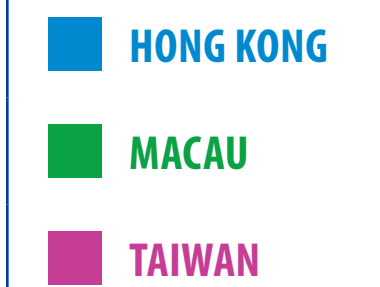
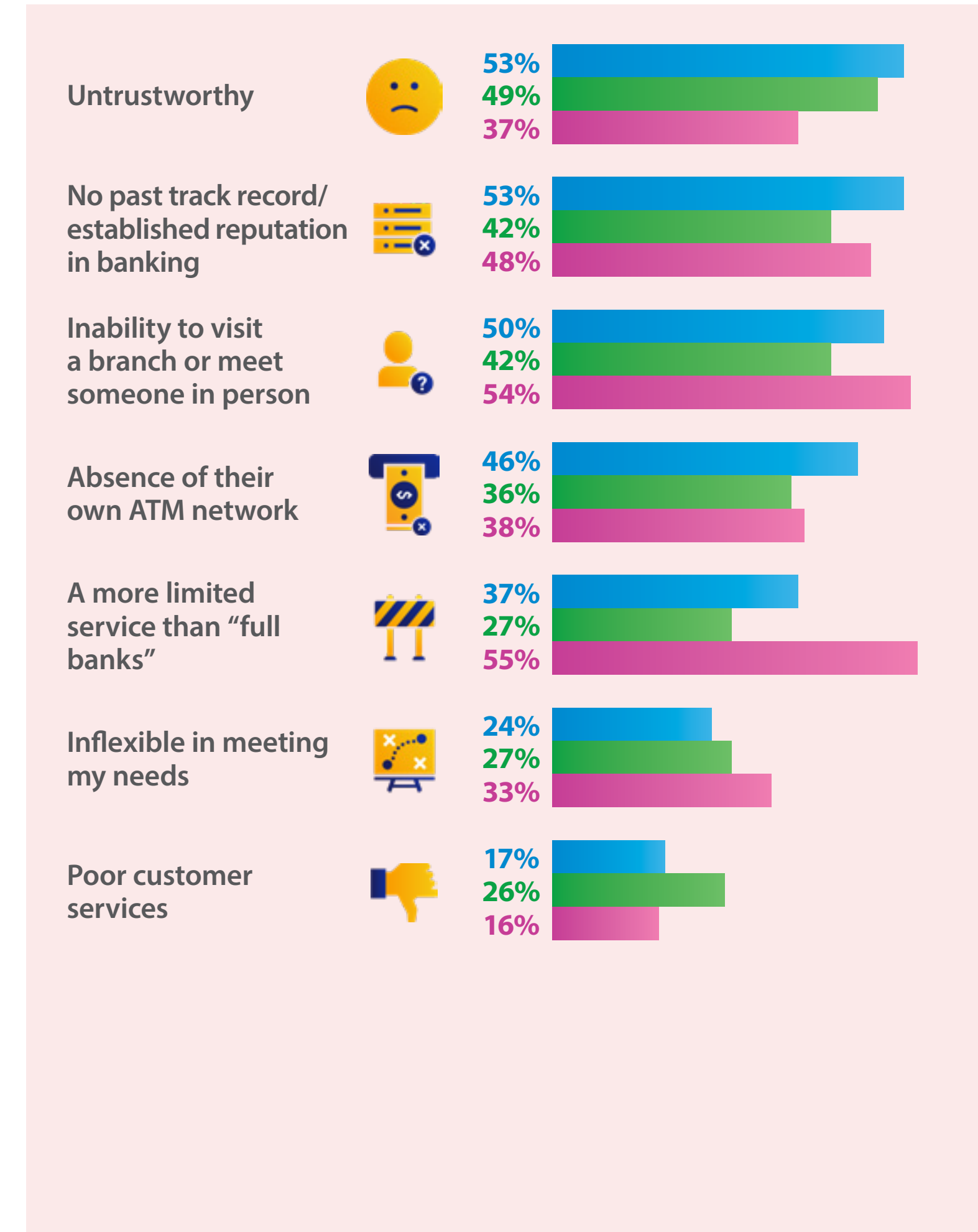
Better interest rates and lower fees are perceived as the top benefits of virtual banking. However, a lack of trust due to the unproven status of the model is a significant concern and needs to be alleviated to drive continued adoption and growth.



PERCEIVED BENEFITS OF VIRTUAL BANKING



PERCEIVED DISADVANTAGES OF VIRTUAL BANKING



7

WHOSE DATA? OPPORTUNITIES AND CHALLENGES IN OPEN BANKING



Open banking or open data is another initiative that is gaining traction globally. It is supported by many governments and the financial industry. It refers to a set of standards that allows consumers to have their financial institutions share their information with specifically selected organisations, and vice versa, to enable services such as consolidated overviews of transactions across all banks, expenses analyses, cost savings advice, and other services.

Awareness by respondents of open banking is only 25% in Hong Kong, 29% in Macau and 37% in Taiwan - much lower than for virtual banking.



OPEN BANKING AWARENESS



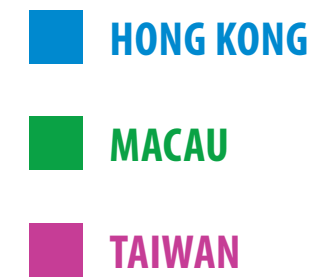
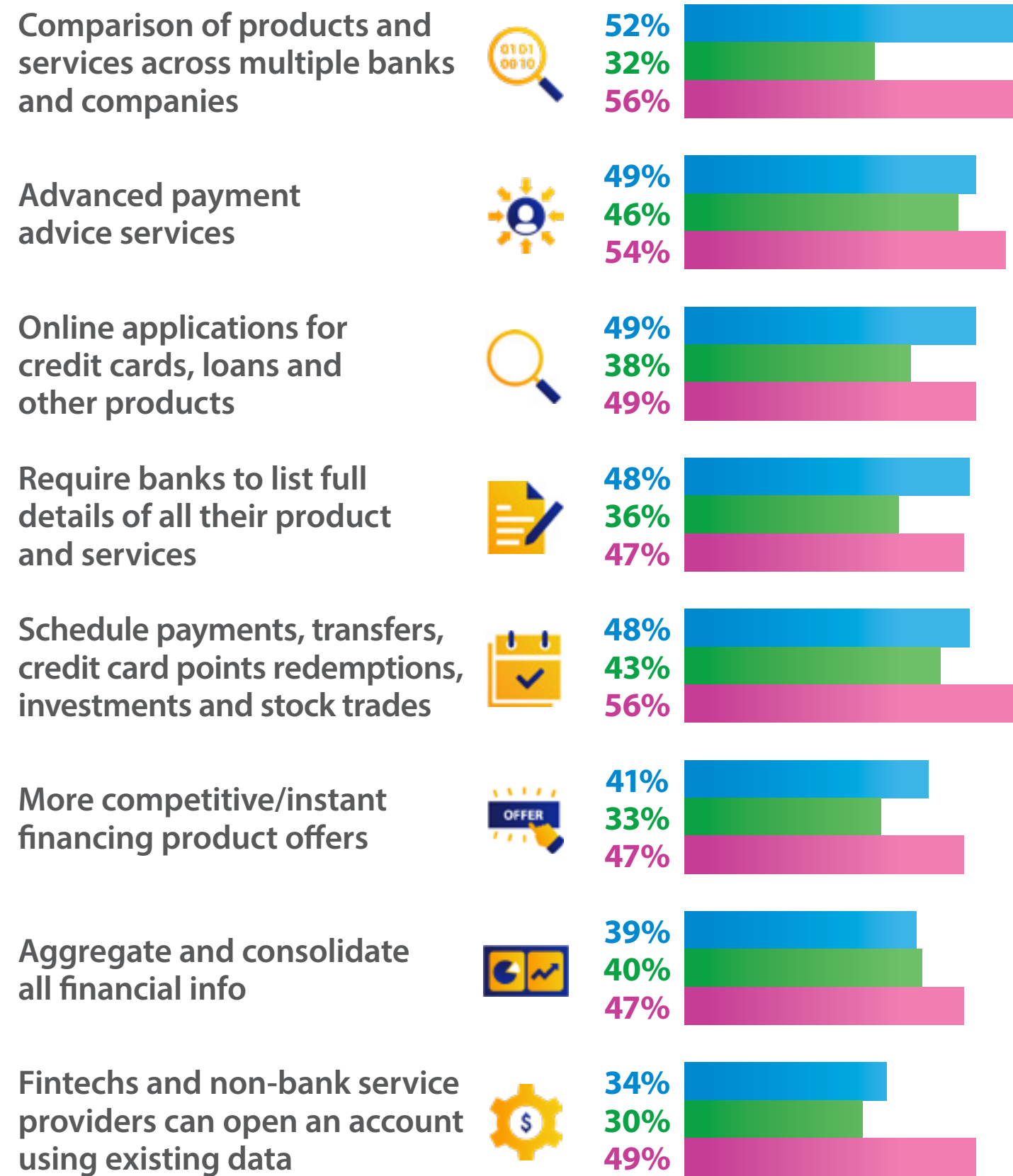


However, when asked about specific open banking services, between a third and half are interested. For almost all services, Taiwan consumers showed the most interest, followed by those in Hong Kong and then Macau.

The services that generated the most interest were comparison of products and services of multiple banks, advanced payment advice services and online applications for loans.



INTEREST IN DIFFERENT OPEN BANKING SERVICES (% INTERESTED)



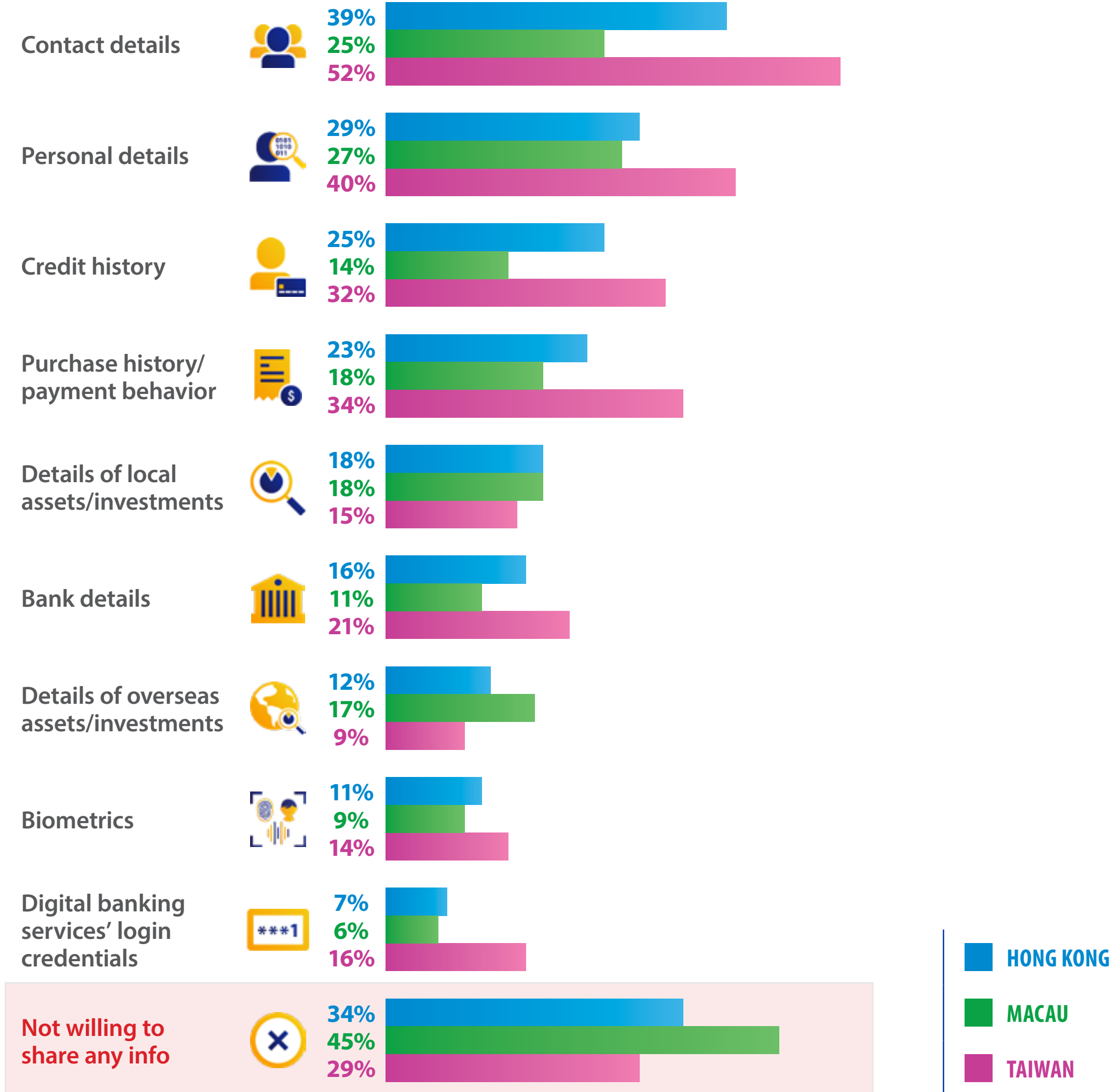


Consumers in Hong Kong and Taiwan are more willing to share information to receive open banking services - 71% and 66% respectively, against only 55% of Macanese.

When it comes to specific types of information, the larger numbers are for personal details such as name, date of birth and ID number or contact details. Fewer people are willing to share financial and investment-related information.



WILLINGNESS OF SHARING INFORMATION WITH OPEN BANKING PROVIDERS TO OBTAIN SERVICES





When respondents were asked which types of organisations they would trust to access their financial information, there are noteworthy changes since a year ago.










Payment networks have moved up the ladder and are now the most trusted type of organisation in Hong Kong and rank high in the other two markets. Traditional banks are on par with payment networks in Hong Kong. Given the rise of virtual banks, there are opportunities to educate consumers on data governance and privacy.

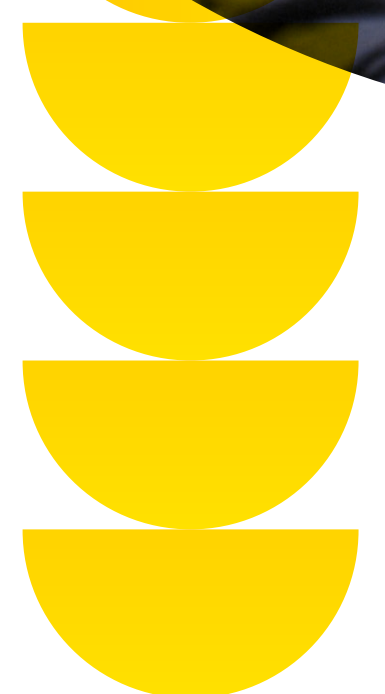
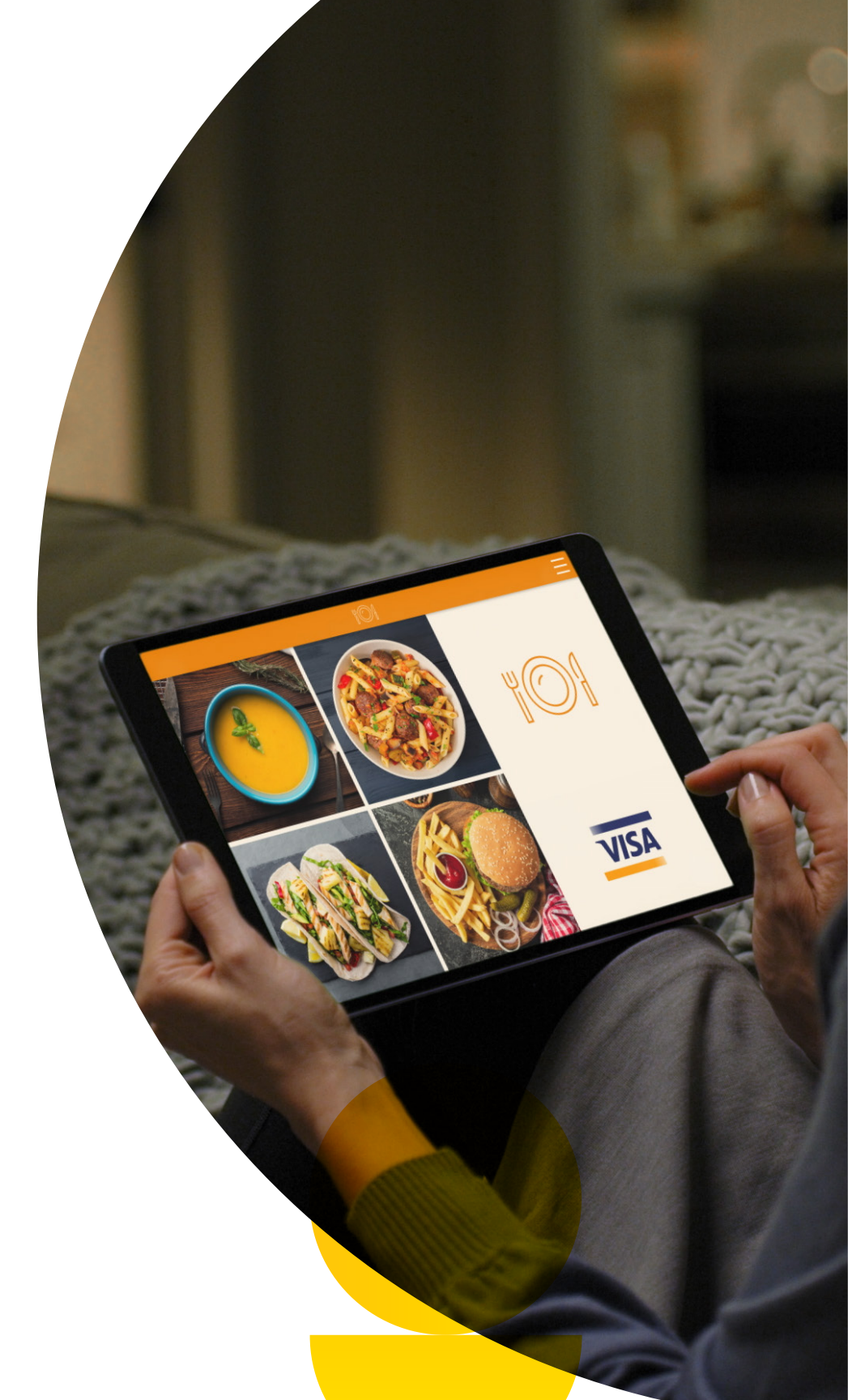
In Taiwan, the government is at the same level of trust as payment networks and banks. Macanese are more trusting of all types of organisation. In particular, there is a very high level of trust in the government (78%), utility companies (48%), banks (46%) and telcos (35%) to access one's financial information.

Less established types of companies have the longest way to go to gain the trust of consumers.



NET TRUST IN ORGANIZATIONS TO ACCESS YOUR FINANCIAL INFORMATION (% TRUST-% DISTRUST)

	HONG KONG		MACAU		TAIWAN	
	2019	2020	2019	2020	2019	2020
Payment networks 	-10%	19%	5%	23%	-3%	22%
Financial institutions/ banks 	1%	18%	34%	46%	8%	23%
International mobile wallet brands* 	-35%	8%	-35%	11%	-31%	-1%
Utility companies 	24%	3%	53%	48%	10%	13%
Governments 	14%	-9%	76%	78%	17%	23%
Telcos 	-12%	-10%	31%	35%	2%	7%
Software companies 	-30%	-16%	-18%	-16%	-24%	-19%
Virtual banks 	N/A	-34%	N/A	-23%	N/A	-19%
Greater China mobile wallet brands* 	-46%	-37%	-28%	18%	-56%	-43%



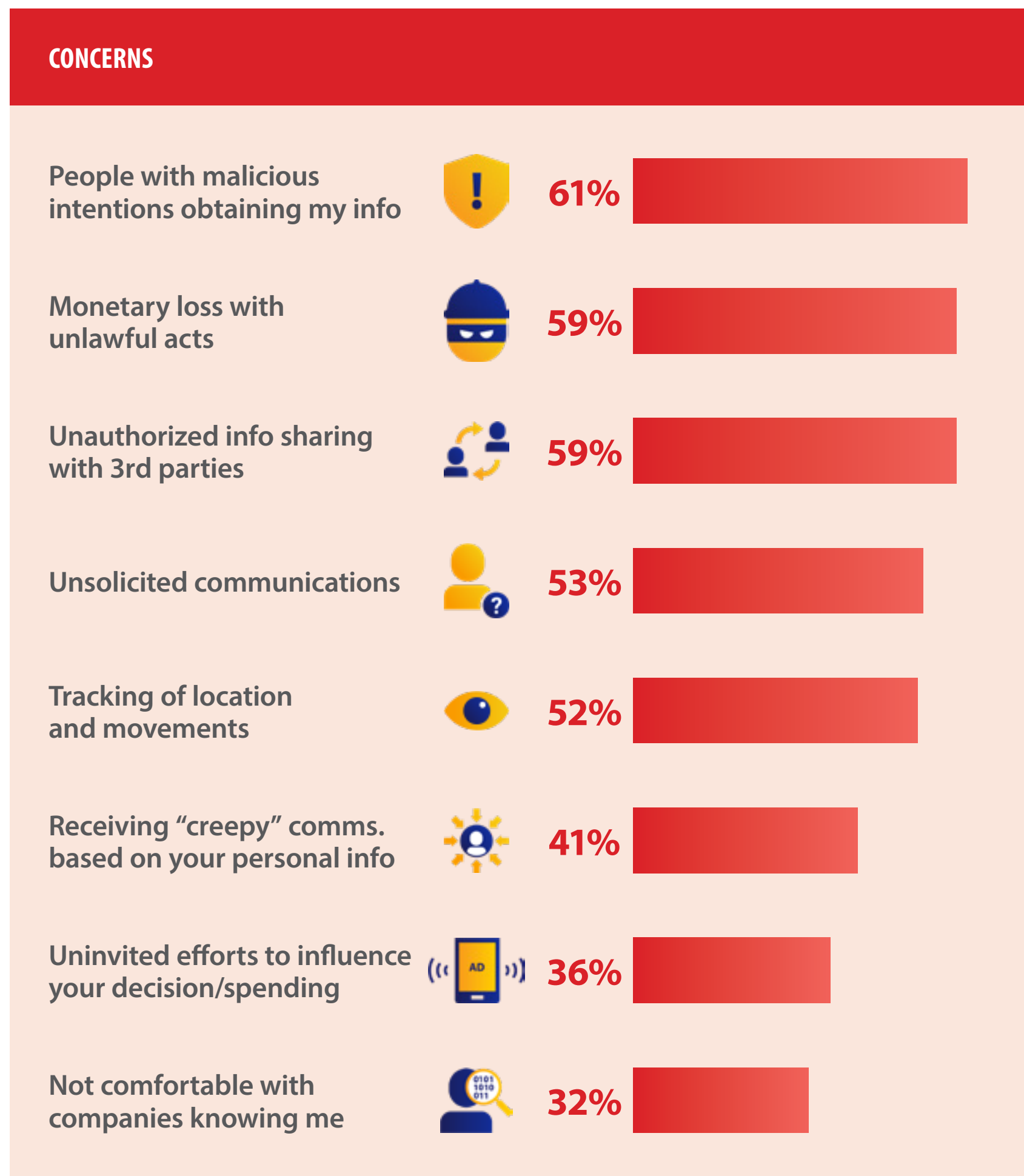
*International mobile wallets include international payment brands such as Apple Pay, Google Pay, LINE Pay and Samsung Pay; Greater China mobile wallets are payment brands from Mainland China, Hong Kong SAR, Macau SAR and Taiwan including, for instances, Alipay, WeChat Pay, and OlePay



Vulnerability of digital information and unauthorised sharing of data are the top concerns about companies collecting and using data from one's activities online. At the same time, half of respondents see the benefit of receiving customised promotions and deals, and two in five appreciate getting targeted recommendations on products and services.



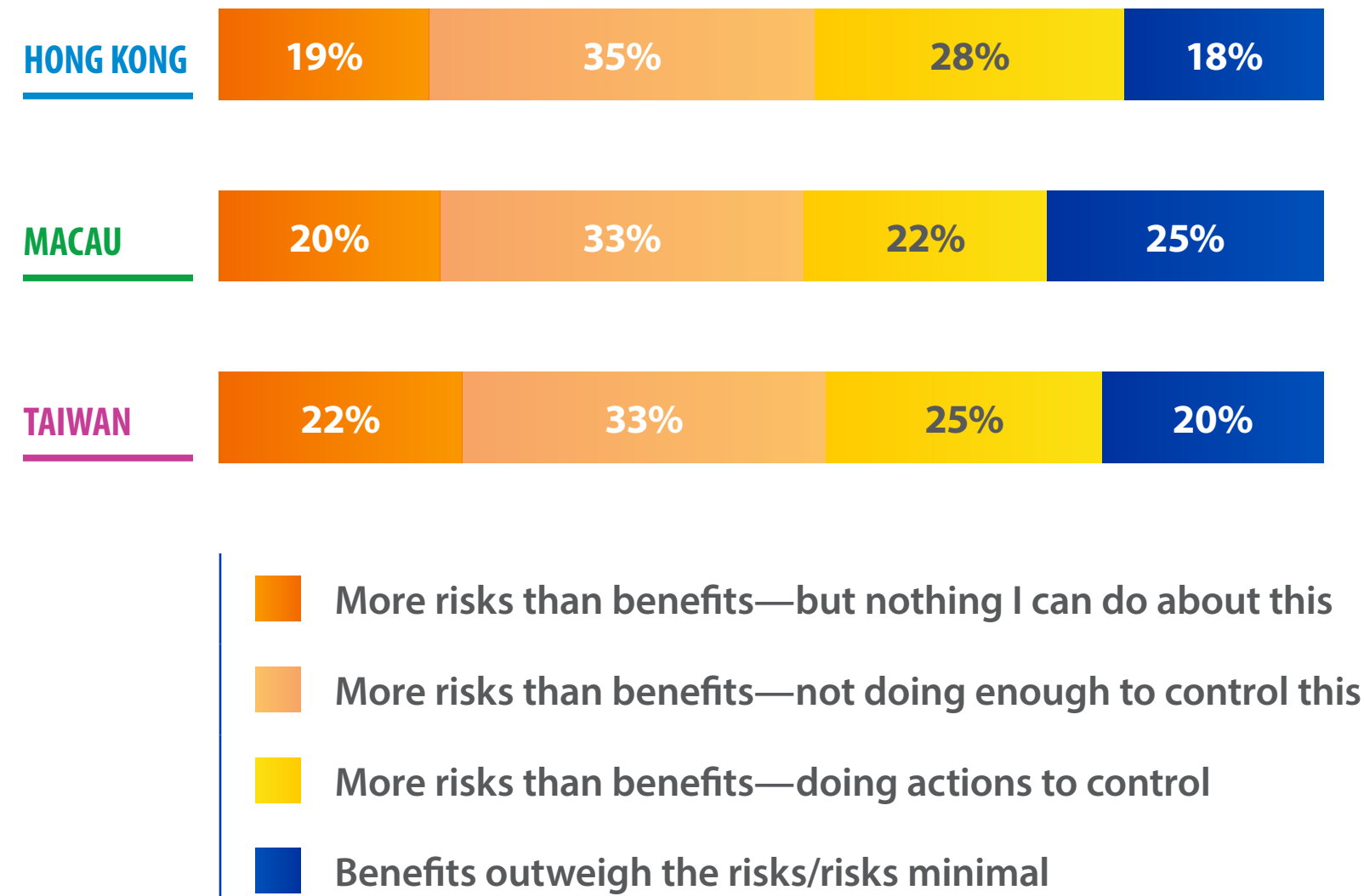
CONCERNS AND BENEFITS OF COMPANIES COLLECTING AND USING INFORMATION FROM YOUR DIGITAL ACTIVITIES





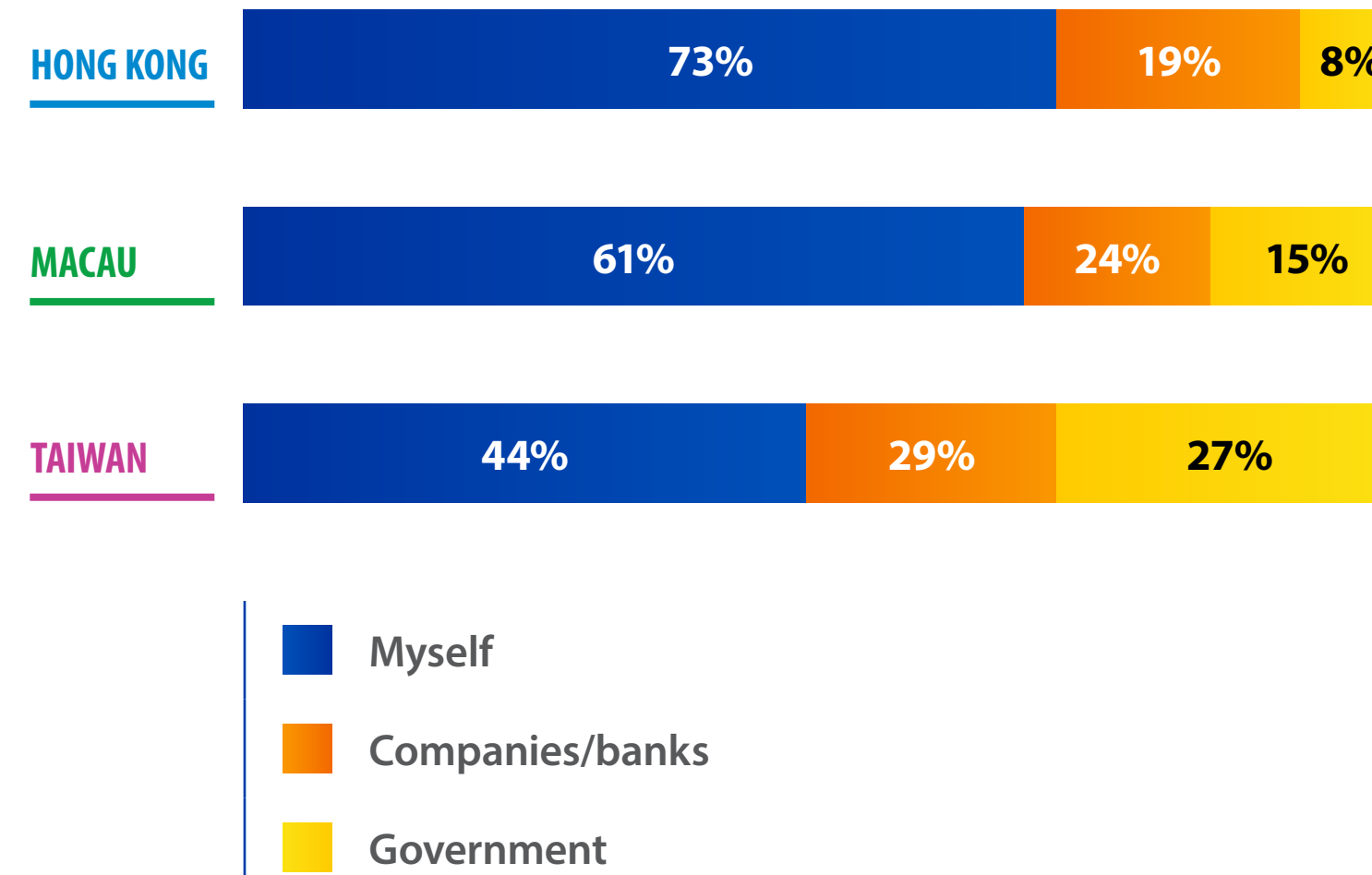
Overall, the vast majority in all markets feel the risks outweigh the benefits. A fifth of respondents in each market think that there is nothing they can do about the risk and a third feel they should be doing more to control it.

OVERALL RISKS VS. BENEFITS OF COMPANIES COLLECTING AND USING YOUR DIGITAL INFORMATION



The majority of respondents in each market feel that they should 'own' their personal and financial data. This sentiment is most emphatic in Hong Kong and then in Macau. Taiwanese are relatively much more comfortable with the government or companies/banks being the custodians of this information.

WHO SHOULD BE THE CUSTODIAN OF YOUR PERSONAL AND FINANCIAL DATA



ABOUT VISA



Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network—enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device, and a driving force behind the dream of a cashless future for everyone, everywhere.

As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce.

For more information, visit www.Visa.com.hk, www.VisaAPNews.asia and [@VisaNews](https://twitter.com/VisaNews).

VISA

