

Analysis of the Marketing Strategy of Alipay Payment Method under the Internet Economy

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Abstract. With the rapid development of mobile payment, third-party payment platforms as well as payment services continue to innovate. The emerging payment methods have not only changed consumers' daily life, but also cultivated their consumption habits. More and more domestic and foreign companies are joining the market competition. Facing the complex market environment, how to seize the market becomes the goal of all companies. The Alipay platform stands out among many third-party payment platforms and has become the largest mobile vendor in the world. The research theme of this paper is to study the marketing strategy of Alipay, and to analyze the existing marketing problems of Alipay and to suggest solutions. This paper is based on the theories of mobile payment, marketing strategy, and user stickiness, and the current situation of Alipay to analyze the marketing strategy. Through extensive literature reading and data compilation, Alipay's marketing strategy is divided into six aspects: living payment ecosystem, fun marketing, cash withdrawal exemption, unique business, monopoly exclusivity, and transaction security. Finally, based on the above analysis, this paper makes three suggestions on how to improve Alipay's marketing strategy: strengthen the publicity work to make more consumers use Alipay with peace of mind; carry out market segmentation and provide personalized service to customers; improve product competitiveness and create brand effect.

Keywords: mobile payment; Alipay; marketing strategy.

1. Introduction

With the development of Internet technology, more and more Internet enterprises are developing and growing rapidly in China, among which China's payment industry has also changed with the development of third-party payment platforms. In recent years, the number of third-party payment business transactions in China has shown rapid growth. According to mobile payment network data, China's third-party payment business has improved from 49.5 trillion in 2015 to 355.5 trillion yuan in 2021 [1].

This paper focuses on Alipay's marketing strategy, analyzing the diversity of Alipay's marketing strategies and then analyzing the reasons for Alipay's success. What are the successful strategies that Alipay can learn from in the competitive environment of third-party payment platforms? Six aspects of Alipay's existing marketing strategies are summarized and analyzed by analyzing how Alipay responds to the convenience of life services, the advantages of competitors' social features, competitors' business expansion, competitors' cooperation with multiple parties, and dispelling users' security concerns.

This paper focuses on analysis and research through data and literature. The analysis and prediction of the future development situation of the third-party payment platform are based on a large amount of data available in the market. The views of different authors in the extensive literature also provide guidance for a better analysis of Alipay's marketing strategy. For the study of Alipay's marketing strategy, domestic and foreign scholars have conducted a lot of research and the theory has matured. With the continuous development and innovation of science and technology, cell phones have become a necessity for everyone. With the change of the times, people's lifestyle is also changing, and the payment method is changing from the traditional paper money payment to the third-party payment platform payment. This paper chooses the mobile payment industry as the research object, which is an innovative theoretical study in the context of big data and the Internet+ era.

The research object of this paper, Alipay, is the leader of the mobile payment industry, with typical and representative features. Alipay has been able to maintain its innovation and advancement in the face of the severe market situation and fierce competition from the same industry, and Alipay's marketing strategy has played a great role. This paper studies and summarizes the salient features of Alipay's marketing strategy, and analyzes and proposes solutions to its existing problems. It also brings valuable references for mobile payment companies to formulate marketing strategies and study the direction of corporate development.

2. Competitive Landscape of Third-party Payment Platforms

2.1 Financial Triple Oligopoly

As shown in Figure 1, with the rapid development of the mobile Internet and the fact that the online traffic scene has tended to monopolize and reached saturation, the offline scene has become a key target for third-party payment giants. At present, China's third-party payment competition pattern has basically taken shape, with UnionPay, WeChat Pay (Tencent Financial) and Alipay capturing the offline market and occupying a larger share in the third-party payment market by virtue of QR code payment. In the first quarter of 2022, UnionPay, Alipay and Tencent Financial ranked the top three with market shares of 26.17%, 21.05% and 18.29%, respectively, and the total market share of the three players reached 65.51%, with a high degree of industry concentration.

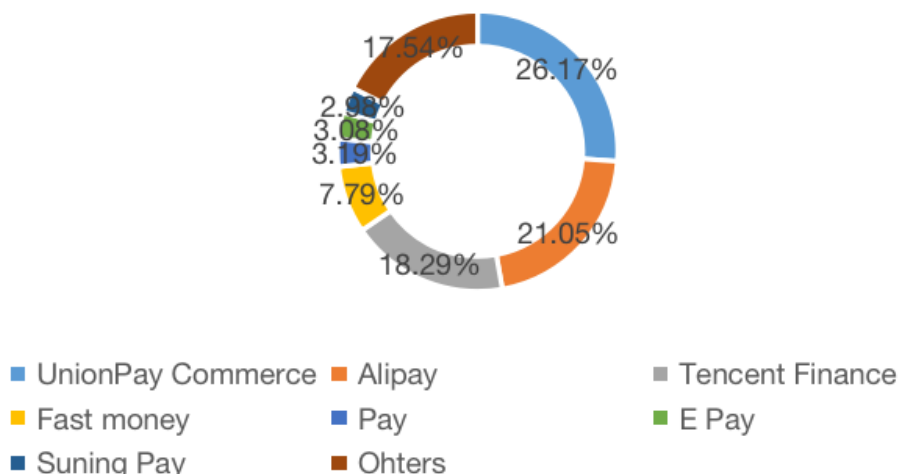


Figure 1. China's third-party internet payment market transaction share in the first quarter of 2022. [2]

2.2 B-side Payment: New Growth Point

Figure 2 shows that the industry scale is expected to exceed 520 trillion in 2025. In the mobile Internet age, users pay more attention to experience, and consumer upgrading will continue to be the driving force for the development of the third-party payment industry. In addition, although C-terminal payment currently accounts for the majority of the third-party payment market size, the industry is already saturated with new user traffic. With the reform of Internet-enabled traditional industries, B-side payment has become a major growth point for third-party payments. Overall, the scale of China's third-party payment industry will continue to grow steadily in the future.

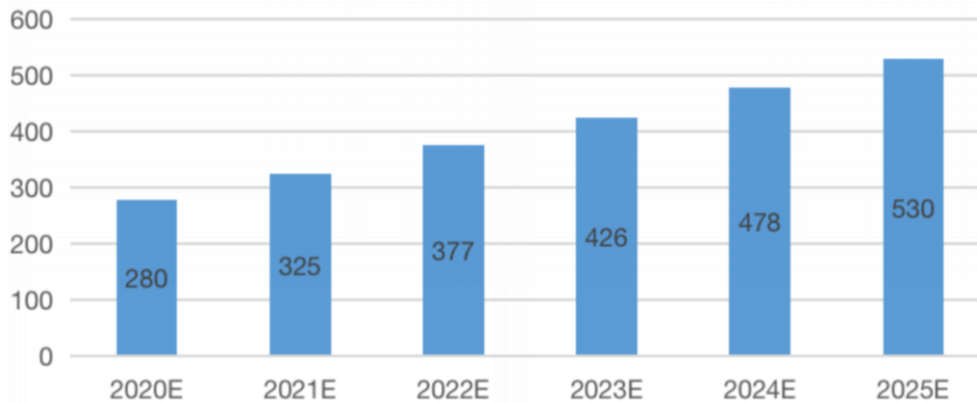


Figure 2. 2020-2025 China third-party payment market size forecast. [3]

3. Alipay’s Marketing Strategy

3.1 Creating a "Life Payment Ecosystem" to Cope with the Convenience of Life Services

Alipay is committed to building an all-around payment platform to create a living payment ecosystem. Many Internet companies achieve sustainable corporate profitability through the platform-based management of their user scale and technological advantages, and the platform-based ecosystem is a business model formed under a competitive relationship, which can form a mutually beneficial win-win situation for both parties through cooperation [4].

As the government promulgates the "Convenience service policy", more and more people feel the efficiency of the government. Enterprises under the Internet economy should also adapt to the development of the times and carry out the convenience of the people, in terms of living payment should also be convenient for the people. In the Alipay platform, users can make cell phone recharge, campus payments, medical registration payments, invoicing and other business transactions on one platform, truly a platform to complete all payments. Compared with other platforms, Alipay's life payment is more convenient, creating a life payment ecosystem for users and completing business payments without leaving home.

3.2 Adopting "Fun Marketing" to Cope with Competitors' Social Nature Advantage

Alipay is making consumers feel more experienced through "fun marketing". The most obvious label of WeChat is social software, and WeChat also stabilizes a large number of users through its social software identity. Alipay has adopted a variety of marketing methods to increase the number of users and improve user stickiness.

In recent years, Alipay has launched the "Collect Five Fortunes" red envelope activity during the Spring Festival every year. As long as the five fortunes are collected before New Year's Eve, people can share a certain amount of cash in red envelopes together, which can be obtained by sweeping the word "fortune" offline or given by friends. While cultivating customers' offline sweeping payment habits, it carries out "viral" marketing by way of friends' gifts to expand new users and influence at a low cost.

The 2018 earn bounty campaign allows customers to get bonuses by sharing red envelopes and promoting them among friends. After receiving the red envelope, they will unconsciously go to the physical store to pay, which will make many people switch from WeChat payment to Alipay payment in the short term and increase the usage rate. Every company launching a new product needs publicity and generates advertising fees, but Alipay sends the advertising fees directly to its customers, increasing the recognition and trust of users [5].

3.3 Implementing "Free Cash Withdrawals" to Cope with Competitors' Fee Strategies

Alipay's payment strategy for offline stores adopts a pay-plus-free strategy. Such as store customers adopt a free strategy in terms of payment and merchant collection, and charge a certain fee when the merchant transfers money and withdraws cash to the bank card. Both withdrawals and transfers to bank cards are free for all Alipay real-name accounts under the same ID card sharing 20,000 yuan for life; for any amount beyond that, the rate is 0.1%, with a minimum of 0.1 yuan [6]. Compared to its competitors, this move has a direct impact on which platform users will deposit their money on. Alipay has also hoarded a large amount of money through this strategy. If direct fees were charged would have a psychological effect on users, who would prefer things that are free, so Alipay's free credit strategy has greatly increased Alipay's popularity and user usage. Alipay implements a free quota of 20,000 yuan, after which a certain fee will also be charged. For some big transactions, Alipay will also earn a certain profit from it, with the right advantages and disadvantages, which is conducive to sustainable development.

3.4 Developing "Unique Business" to Cope with Competitor Business Expansion

Both Alipay itself and competing companies are constantly expanding their businesses to capture the market, attract users and stabilize them. The common services in today's Internet economy, such as online shopping and payment of phone bills, utility bills and other businesses have not been able to pull the obvious gap. Therefore, Alipay carries out a number of "unique businesses", such as "Ant Forest" and "Baba Farm". The "Ant Forest" business has also become Alipay's special business and has achieved remarkable results.

The success of Ant Forest cannot be separated from its unique strategy. First of all, it meets the audience's entertainment needs, and uses the combination of games and public welfare on the Internet to spread public welfare. The game theory proposed by Stephens points out that pleasing oneself for the purpose of gaining great pleasure at the same time, allowing users to enter the game actively. And this software provides users' emotional connection needs. Ant Forest forms a circle of friends who plant trees, and the game allows friends to water each other, steal energy and do other fun activities to enhance the social nature of the service. Besides, users who use Alipay to make purchases can get the energy to feed a tree and receive an environmental certificate, which will give them a sense of pride and accomplishment. Robert Scoper and Shell Israel pointed out that the future of the Internet will enter the scene era, and the five internal forces of the scene era - wearable devices, big data, sensors, social media, and positioning systems will reshape the entire human society and business model [7].

3.5 Increasing "Monopoly Exclusivity" to Cope with Competitors and Multiple Partnerships

Alipay has quickly gained popularity by partnering with shopping platforms such as Taobao, Tmall and Kaola. Alipay has a large number of high-quality partners. Take Taobao as an example, Alipay was initially established to ensure the safety of Taobao users' funds, and then gradually broke away from Taobao's system to become an independent platform. The relationship between the two is still very close, and many of Alipay's users come directly from Taobao. 2021 "Double Eleven" Taobao's transaction volume was up to 540.3 billion yuan, with Alipay's transaction volume taking first place.

Alipay cooperates with banks and financial institutions. Many customers prefer bank transfers as the main transaction method for large payments and to ensure security in the payment process. Even though banks and Alipay are competitors, they still cooperate with each other. From the bank's point of view, Alipay has enough loyal users. After the two sides cooperate, although the bank needs to make a profit, it saves customers time to do business at the bank to a great extent and improves efficiency. Alipay can also attract more customer groups in this way, which is a service based on the sense of user experience and is a mutually beneficial win-win result for both parties [8].

Alipay cooperates with non-bank financial institutions. Alipay keeps expanding into the financial field and cooperates more deeply with insurance companies as well as fund companies. Alipay provides more insurance services. In addition, cooperation with insurance companies can improve

the business of online claims, which greatly shortens the claim time. Users can also view the progress of claims through Alipay to reduce the workload of insurance companies, reduce the cost of insurance companies, improve service efficiency, and also bring greater customer volume to Alipay.

3.6 Strengthening "Transaction Security" to Dispel User Security Concerns

Alipay focuses on the absolute integrity of transactions. Alipay's integrity principle can be seen from three aspects: account security, privacy security, and transaction protection.

In terms of account security, when opening Alipay users need identity verification and real-name authentication of the bound bank card, and the use of digital certificates, dynamic passwords and other security products to protect the user's account security. In terms of privacy security, Alipay's privacy protection system especially sets up compliance positions for information and data protection, strictly reviews the business and products involving users' private information, and establishes a risk control mechanism. In addition to this, Alipay provides each user with account security insurance with maximum coverage of 1 million. In terms of transaction protection, in users' daily use of Alipay for fund transactions, users are required to provide transaction passwords or fingerprint unlocking, etc. for users to actively confirm whether the funds are accurate, and the system will predict whether the transaction is normally based on historical behavior data. If the system judges abnormal, Alipay will confirm the identity of the trader by various means. When consumers make purchases on the online platform, the money is held by the Alipay platform until the transaction is completed, and the money will be given to the merchant only when the transaction is safely completed on the platform, unlike direct payment by WeChat, which largely protects the interests of consumers.

4. The Marketing Problems Encountered in the Development of Paypal

4.1 Insufficient Publicity

Alipay has a consumer group who mainly are young people. Young people often need to use mobile payments in their daily lives. As the third payment platform with greater influence, Alipay is naturally the top choice of young people. Alipay ignores the middle-aged and elderly groups in society, which tend to use cell phones less frequently in their lives, but middle-aged and elderly customers are huge potential customers of Alipay. The key reason for the low number of users is that middle-aged and elderly people have little contact with the Internet, and are not familiar with the Internet and its operation. Middle-aged and elderly people have certain traditional ideas about new things and are skeptical of third-party payment platforms. On the other hand, the publicity ability of Alipay itself is not in place, and the limitation of communication channels makes middle-aged and elderly people do not have a good understanding of the functionality and security of Alipay platform, which reflects the level of Alipay's publicity needs to be improved from the side.

For consumers, they pay more attention to practicality and security when using third-party payment software, so Alipay should increase the publicity of security efforts to enhance the trust in the platform [9].

4.2 The Market Segmentation Is Not Perfect

As technology continues to improve, smartphones are becoming more and more popular. The number of people using smartphones is also increasing, so the segmentation of the market is particularly important, and different services should be provided for different customers, but this is a service that Alipay does not have now. Because of the objective variability of consumer needs, the absence of market segmentation will make it difficult for the platform to specify the marketing target, thus facing the risk of wasting resources and losing customers.

4.3 Third-party Payment Platforms Compete Fiercely

Although Alipay has occupied a certain share of third-party payment, there are many third-party payment platforms in China, the main competitors are WeChat Pay, Cloud Flash Pay and other platforms. Each platform has its own advantages, such as WeChat Pay relies on WeChat's strong social attributes to firmly lock users, Cloud Flash Pay through cooperation with major banks and its emphasis on the offline market also has a lot of loyal users. In addition, the pressure from other platforms has led to fierce competition among third-party payment software.

5. Solution Strategies

5.1 Strengthen Publicity Efforts

Publicity plays a very important role in the whole process of work. Today's Internet economy brings changes rapidly. Every business and every project have competition and is constantly changing, and users tend to remember the product that impressed them. Alipay needs to attract the interest of consumers by creating a distinctive platform image [10].

Alipay should promote new businesses without forgetting old businesses. It is important to continuously strengthen users' impressions to increase their familiarity with the new business and enhance their stickiness to the old business. Alipay can strengthen propaganda by increasing advertising investment and providing preferential strategies for businesses. The publicity is conducive to the establishment of Alipay's brand image and the enhancement of Alipay's reputation, so that more users use Alipay and use it with peace of mind.

5.2 Conduct Market Segmentation

The purpose of market segmentation is to provide targeted, differentiated services based on different user attributes. Alipay can summarize the different needs that exist between various age groups, different gender and other differences to design pages, services, etc. through surveys and analysis.

Firstly, companies should segment the market where they are belonged and find a market segment that matches the business. Then conduct consumer and market understanding, consumer relationship establishment, and customer satisfaction surveys. For existing customers, Alipay can be divided into "strategic customers, key customers, and general customers" according to the importance of customers, and regional geographic location into "North China, Central China, South China" and so on. These classifications of internal customers can be used for internal management [11].

5.3 Improve Product Competitiveness

Nowadays, Alipay is facing a lot of competitive pressure. If Alipay hopes for sustainable development, it must constantly optimize itself, maintain its competitiveness and improve the competitiveness of its products. Alipay needs to constantly summarize its experience to innovate on this basis, and only innovation can develop. Alipay can analyze the competitive situation between other companies and itself to make wise strategies, such as carrying out overseas expansion to deploy some countries that are relatively backward to seize the market in advance. Drawing on the advantages of competitors for own improvements, such as compared to the social attributes of WeChat, their social attributes will be improved like a new social business, and at the same time to carry out the implantation of life payment, so as to improve the core competitiveness.

Alipay has to grasp the trend of industry development and innovate its products through differentiated competition. In the scope of business, not only the traditional C2C form is the basis, but also the sunrise industry is the main focus of developing products, such as B2B, B2C, etc. Only by constantly innovating their own products and services can they better gain a foothold in the market [12].

6. Conclusion

In the era of rapid technological development, new industries are constantly changing. With the change in consumers' payment methods, the industry of third-party payment platforms led by Alipay is also in continuous development. Alipay is the leading enterprise in the mobile payment industry, and the conclusion of the basic situation of triple oligopoly in the industry is drawn through the analysis of the current situation of the industry. The six marketing strategies of Alipay are analyzed through the various activities currently launched by Alipay. Suggestions for improving the strategies are analyzed through the shortcomings of the existing strategies.

This paper analyzes Alipay through data and literature, but it lacks practicality, and the theoretical analysis cannot adequately provide a complete knowledge of Alipay's current situation. The research method can be improved by extending the research method to both theory and practice, and enriching the realistic sources of information by means of questionnaires. Further reflections and analyses will follow on the following aspects.

Under the fierce competition in various industries of third-party payment platforms, the market occupied by government-issued digital currencies and UnionPay commerce in mobile payment is also growing year by year. In response to such a situation, where should the third-party payment platform represented by Alipay go and how should it cooperate and integrate with other products are issues that need to be urgently considered.

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