China UnionPay's impressive progress

By Suwatchai Songwanich, CEO Bangkok Bank (China)

China UnionPay (CUP) is much less well-known than other major credit card brands, so many people might be surprised to learn that it is now the global leader in cards, with nearly 4 billion cards in circulation and a 34 percent global market share. It is also the global leader, with over $5 trillion in payments, or nearly 50 percent of the market, and boasts the world's second-largest global network, in terms of value of transactions, after Visa.

Up until recently CUP’s strength was almost entirely based on the huge China market where it has a strong advantage over foreign rivals as they must use its yuan settlement network. However now it is making great inroads into global markets, with growth running at around 30 percent a year.

Southeast Asia was one of the first markets penetrated by CUP in 2005, only three years after it was launched, and the first CUP card in Thailand was issued in 2009 by Bangkok Bank. The cards are now widely accepted in all ten ASEAN countries and a regional office established in Singapore serves both Southeast and South Asia. CUP is also making strong inroads into Europe, the US and Africa, and the Russian market is particularly dynamic as Russian banks are rushing to issue CUP cards in response to the threat of sanctions. Although Russian banks started issuing CUP cards only this year, within three years they expect to issue two million cards.

A major driver for CUP’s global spread in the payments industry has been the spectacular growth of Chinese tourism. China is a huge and growing force in the global tourism industry and wherever Chinese travelers go, they like to shop. There is also a growing trend for the cards to be issued outside China. Mainly this has been to meet the needs of frequent travelers to China, but the sanctions issue will certainly give a spur to this and there is also growing interest from consumers, as CUP’s fee structure tends to be lower than that of rival brands.

Meanwhile CUP is also seeking to dominate the next horizon in cards – mobile payments. It introduced a number of new initiatives last year for contactless payments using the NFC system, including alliances with local telecom companies and Chinese mobile brands such as Xiaomi, and this year it signed a landmark agreement with Apple for users to make mobile payments using iPhones. Apple hasn’t yet entered the mobile payments market and its entry is expected to greatly accelerate the use of mobile payments worldwide.

CUP is now the world’s largest card brand, with three out of every ten cards issued today. This is an extraordinary achievement given that it was launched only 12 years ago. Thai merchants should certainly prepare themselves for the opportunities that lie ahead – such as Chinese and Russian tourists coming to Thailand and wanting to make payments with CUP using their smartphones.

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