

# The Credit Card Market in China: Opportunities for Foreign Firms

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## Abstracts

The credit card market in China has been growing at double-digit rates since the early 1990s and has boomed since 2003. China became the world's second largest credit card market (after the U.S.) in 2012 in terms of number of cards issued and transaction volume, and is expected to become the world's largest credit card market by the year 2020.

Being highly policy-driven, the Chinese credit card market is largely directed by political calculation, policy mission and administrative intervention. Even though economic and social factors play a vital role, government regulations and policies control or strongly influence the competitive landscape, the credit card ecosystem and the industry income structure. Foreign companies must recognize that government regulators are working on a course of regulation that is oriented toward supporting state-owned and domestic Chinese enterprises.

Even so, the Chinese credit card market will continue to be the most promising market worldwide due to the size of the national economy and population. And the relative slow-down of the Chinese economy will have a limited impact on the market given the huge scale of business opportunity and the tight control of credit risks by the central bank. Packaged Facts predicts that market growth in 2012 and 2013 will notch downward due to card migration and risk control concerns, but will pick up again from 2014 onward due to the growing customer base and developing mobile and internet payment business.

Differentiation of positioning based on brand image, promotional strategy and strategic vision is critical to success in this market. Big name foreign firms are attractive to middle- and upper-class Chinese customers, whom foreign companies can target through high-quality and exclusive services. In addition, younger adults are forming a

new generation of consumers who are more technologically- and innovation-driven when it comes to choosing credit cards, such that the most technologically advanced companies will be best positioned to perform in this market.

At the same time, the payment processing market is going through a revolution in China with the introduction of third-party payments. New competitors are entering into the market and sharing profits from card payment companies and banks. Alliances and the competitive landscape have been transformed, and payment companies will need to reconsider their positioning and partnership strategy in this market.

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