

China's Web giants do battle over 'hong bao' ahead of New Year

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At the end of each lunar year, it is customary in China to give children hong bao—small sums of money in envelopes that are red, the colour of prosperity. But now the age-old practice is going high-tech.

It is now possible to exchange "red envelopes" via smartphone, which is proving a popular trend in China and has sparked a battle for the lucrative market between the two companies providing the service, Tencent and Alibaba.

"You don't have to pay the same fees or wait as long as you would for a traditional bank transfer. It's more convenient, simple and fun," Wang Le, a 28-year-old Beijing resident, told AFP.

The Year of the Sheep, which begins Thursday, is an opportunity to relive the childhood magic of the lunar holiday at any age, according to Wang.

"I loved getting red envelopes when I was little, but it was only my older relatives who would give them, and only around the new year," he said.

"With electronic red envelopes, you're not limited by your identity or the time of year. It's a new, fresh way of playing the game."

Lotteries and low blows

The idea was introduced in 2014 by WeChat, a mobile messaging system with over 400 million users and operated by Tencent, China's largest Internet service portal. It was immediately successful.

Within ten days, some eight million users had exchanged 40 million virtual envelopes. The minimum amount that can be exchanged is modest—one yuan, or 16 cents of the US dollar—and there's also the fun option of splitting a sum between several recipients.



Factfile on the Year of the Sheep

This year, Alipay Wallet, the payment system run by online retail giant Alibaba, is ready to take on the competition. It is allowing its 190 million users to send digital gifts, notably via the Twitter-like Sina Weibo, of which Alibaba is a shareholder.

For the past few weeks a digital battle has been raging, with Tencent banning Alipay from sending red envelopes via WeChat, saying they

posed a "security" threat. Recently, WeChat also blocked Alibaba's music app Xiami.

To compete for the public's favour, the two rivals have launched lotteries through which they award red envelopes to users in an online game.

Tencent agreed to give out 800 million yuan (about \$127 million) in envelopes on its WeChat and QQ messaging apps over a ten-day period, with each one worth as little as several cents or as much as \$800.

For its part, Alipay has promised to give out \$95 million in envelopes as well as coupons and discounts totalling several billion yuan as part of its publicity quest.

"It's great. I never thought that at my age, I'd be able to 'reap without sowing' like this," said Wang, who frantically checks his phone each morning to see the flood of hong bao coming in.

Tencent and Alibaba are not just playing Santa Claus, however—the publicity surrounding the lotteries has garnered the web giants many more new users.

'Pearl Harbour-like attack'



Lion dancers perform at the opening ceremony of the Ditan Park temple fair on the eve of the Lunar New Year in Beijing on February 18, 2015, with the Year of the Sheep due to begin

It's easy to send and receive hong bao or participate in the lotteries: you simply need to register your bank details.

Once users have signed up, they are more likely to make spontaneous electronic payments, "especially given Chinese people's tendency to make impulse buys," according to Liu Xingliang, chairman of Hongmai Software, a Beijing-based Internet data analysis company.

"In China, people traditionally send red envelopes to celebrate the new year, so it's quite an easy way to attract the public," he said.

According to market research group iResearch, Alipay controls 82.6 percent of the Chinese mobile phone payment market, compared to 10

percent for Tencent's Tenpay.

However, Tenpay only controlled four percent of the market before the red envelope campaign debuted on WeChat in 2014.

Alibaba founder Jack Ma has dubbed WeChat's red envelope campaign a "Pearl Harbour-like attack" on Alipay.

The stakes are high. In 2014 in China, mobile payment transactions reached 7.77 trillion yuan (\$1.24 trillion), six times the amount the previous year, according to research group Analysys.

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