

Octopussy

HONG KONG

A ubiquitous payment card gets some unfair flak

IN 1997, two months after Hong Kong reverted to Chinese sovereignty, it acquired a cutting-edge payment technology. People could rush through turnstiles with a wave of their colourful Octopus cards—stored-value cards pre-loaded with cash. Its latest advance, however, is risibly low-tech. On October 30th Octopus launched an extensible pole with a plastic hand to help drivers pay at toll booths. Critics of Hong Kong's cautious approach to fintech snorted in derision. Meanwhile, a government official was quoted as blaming Octopus for stifling the city's shift to cashlessness. Both criticisms are unfair. Hong Kongers enthusiastically embrace electronic payments and do well from the fierce competition between different platforms.

The Octopus card, designed for journeys on Hong Kong's trains, buses, trams and ferries, soon stretched its tentacles into shops. In 2016 the company generated revenues of HK\$956m (\$122m) for its owners (mostly transport companies).

Local pundits complain that Hong Kong lags behind mainland China, where even beggars accept e-donations. China's love of apps such as Alipay and WeChat Pay means that travellers to the mainland are finding it harder to get by without them. Similarly the 46m mainland tourists who visit Hong Kong every year are demanding ways to spend their e-cash. Francis Fong, an IT expert, reckons this could persuade merchants to accept new forms of payment.

But whereas in mainland China, mobile apps compete almost exclusively

with cash, Hong Kong's consumers have many choices. Already 60% of transactions are made electronically. A year ago the Hong Kong Monetary Authority (HKMA), the central bank, licensed 16 "stored-value facilities" on which consumers deposit money; between them they have 43.5m cards, including Octopus (which has 32.8m) and other pre-paid bank cards. Other options include Alipay, PayPal and WeChat Pay.

Each payment method has different advantages. Octopus is fast and reliable, but can be cumbersome for moving money. Its experiments with apps and a mobile-phone SIM card have not been popular. Credit cards are seen as secure but processing fees can be high. Mobile apps are easy for merchants to install but have a reputation for being less secure.

Outlets and payments firms compete fiercely to lure shoppers with discounts and rewards. Howard Lee of the HKMA argues that it is not government's job to pick technologies and that anyway it has no agenda to try to move Hong Kongers away from cash. Instead it is regulating new products to provide a "level playing field" so consumers can decide winners.

Even Sunny Cheung Yiu-tong, the chief executive of Octopus, expects the transport companies one day to accept new ways to pay, even including his competitors' apps. In a city where tannoy at stations repeatedly warn commuters to look up from their phones, a scheme which allows more screen time should be popular. The plastic hand could double as a selfie-stick.



Your extensible friend