

How Japan Can Improve Its Digital Payment Technologies



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Introduction

If you ever went on a trip to places like Shanghai, Beijing, Shenzhen and other Chinese cities within the last few years, you would have found that cash is being ditched by most consumers, with digital payment apps such as WeChat pay and Alipay replacing the traditional method. In some cases, consumers don't even have to bring their wallets when they leave their homes as all of their daily services and payment could be handled with a few apps on their phones. This improvement in digital technology has brought great convenience to the Chinese people as the process of purchasing is being greatly simplified with people just having to scan the QR code to finish the transaction. China's Asian neighbor Japan, a country that has a reputation for being a technological hub and with modern lifestyles, is trying to develop and promote the same digital system, intending to evolve into greater technological advancement. In this article, I'm going to explore the reasons why China was able to develop the system and have so many people using it within such a short time and the factors that prevent Japan from achieving the same technological capability. I'm also going to create a unique solution in helping Japan gain the ability to implement digital cashless payments quickly and with as little societal opposition as possible.

Comparison of Chinese & Japanese Attitudes to Digital Payments

The first step in trying to diagnose why the Japanese lag behind on digital payments is to analyze the factors that brought success to China in having its massive population adapt to the new payment system so quickly. One of the key reasons why these digital payment platforms were able to become so popular in China over the span of a few years was the fact that companies such as Alibaba (affiliated with the Alipay system) and Tencent (developer of WeChat pay) were already a huge part of the online lives of Chinese consumers. By having the payment system placed at the center of the massive "ecosystem" of Alibaba, more people are going to be relying on it, as the payment system is very interconnected with other services provided by the online platform, including online shopping, money

exchange with friends on WeChat, and so on. With Alibaba affiliate platforms such as T-mall and Tencent-related services such as WeChat being an essential part of Chinese consumer lives already, it becomes very easy for Alipay and WeChat to launch their payment systems and have people use them as the popularity of these existing online platforms encouraged their users to adapt to the payment quickly.

The other factor that contributed to the system's popularity within a short period of time was the enthusiasm displayed by Chinese youth toward accepting a more modern way of transactions and lifestyle. I think one of the reasons why Chinese youth are able to adapt so quickly is the fast economic development in China, which brings massive change to the country ever once in a while, thereby making people, especially young people, unafraid to try new technologies and experience a new era with a sense of excitement.

In contrast, the Japanese situation is completely different from that of China's. As is known, Japan has an aging problem with an unbalanced ratio between the young and the old, thereby making it extremely difficult to bring new technologies such as digital payment into Japanese society, which has a great percentage of elderly people. According to the research that I conducted for this article, elderly Japanese have an ill feeling toward the transformation to a cashless society as they feel it is an example of how Japanese society is leaving them behind. They are generally more trusting of the value of cash as many of them assume that they will be inept in using these new apps. These elderly Japanese also see digital payments as a method for spending money unnecessarily and "lavishly" as the feeling is different when scanning QR codes from actually handing over cash themselves.

But the elderly are not the only group that oppose the use of digital payment methods in replacing traditional cash. Some Japanese are afraid that their data and personal information might be stolen or placed in the hands of commercial interests or even government institutions. Though the Japanese government has already promised good protection of personal information, there are still people who are skeptical of this new technology. Other Japanese, such as small businesses including restaurant owners, see that it is a somewhat unfair deal for them as the Japanese PayPal system would require them to give a small percentage of their money received as a service

fee to the platform, which would cause the owner to lose money compared to the era of cash.

Encouraging Japanese to Use Digital Payment Agents

But despite all of these problems and difficulties, there are solutions in helping society transform into a cashless one at a very fast pace. First of all, the government of Prime Minister Shinzo Abe has already given a massive incentive for the Japanese to utilize this technology. With the recent hike in consumption tax, the government has incentivized the public to use digital technologies such as PayPal by lowering taxes for consumers paying using this app. This is a policy which I think will be very effective in promoting digital technology as people would make the effort to download the app and learn how to use the system in trying to avoid the tax hike, saving themselves money in the process.

Another solution is that PayPal has announced that within the next two-year period it is going to forfeit the service fee being paid by business owners, which will encourage them to accept the payment system on a massive scale – though there is still some suspicion among business owners as they see it as a way to trick them into adding the digital payment system to their store, which could end up costing them a fortune after the two-year free period. But the PayPal announcement is indeed going to speed up the process in which society is going to adapt to the system more quickly and on a larger scale.

But in order to have the Japanese fully adapt to the new technological payment system, I deem it as essential to alleviate their feelings of paranoia over commercial interests and the government overseeing and controlling their data. Though the Japanese government has already promised not to do anything to interfere with their data, privacy and data protection is still a primary concern for the Japanese in the process of adapting to this new technology. I think it is appropriate for the Japanese government to sign the issue of data protection into law as in the future there will be more and more advanced technologies involving personal data. As long as personal data is protected under the law, I believe the paranoia of the people will be to a large extent allayed.

Lastly, I believe that in order to have the Japanese adopt and adapt to this technology as quickly as possible, it is necessary to integrate this technology with existing cashless payment methods such as Pismo and Suica. Transportation cards such as Pismo and Suica are very popular in Japan as they are accepted in a lot of places such as convenience stores, subway stations, taxis, restaurants and so on. I think that perhaps it is a good idea to integrate this payment system with a system such as PayPal to speed up the process of adoption for Japanese people. Unless these two methods are integrated in some way, I foresee that it is going to be very hard for people to ditch one method and completely switch to another in a short period of time. Due to the fact that Pismo and Suica are also relatively popular among the older generations in Japan, integration might allow the elderly to try this new method without having to endure so much stress. A strategy of integration will establish a momentum that could drive the general public to adopt cashless payments.

Conclusion

Understanding the reasoning behind Japanese people's relative reluctance to adopt digital technologies may help us better identify relevant and accurate solutions to address this problem, and encourage a greater degree of adoption by Japanese society. Though having very different social spheres and conditions, the success of China can provide some insights for Japan in this regard and may lead the nation into taking more effective initiatives when facing similar problems and difficulties.

Nevertheless, with Tokyo tentatively welcoming the upcoming 2020 summer Olympic Games, there will be more opportunities than ever for Japan to transform itself into an even greater technologically-advanced nation while addressing the challenges and unmet needs brought about by the adoption of digital payments. **JS**

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