

Analysis of Marketing Strategies for Related Products in China's Financial Market from the Internet Perspective

-- Taking Ant Credit Pay as an Example

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Abstract. With the rise and development of financial technology in recent years, the financial industry has begun to achieve innovation in various consumer financial services by virtue of its large customer base, thus gradually gaining the advantages of big data technology. Technological innovation has driven consumption upgradation; and the development of innovative consumer finance has exerted a profound influence on China's financial market. This paper first introduces the current situation of China's financial market, then analyzes the marketing strategies for the financial product Ant credit pay and the problems confronting China's Internet financial products, and finally proposes some possible suggestions for dealing with these problems.

Keywords: Internet financial products; marketing strategies; financial services; Ant credit pay.

1. Introduction

In May 2012, a series of third-party payment platforms were granted payment licenses in China, including Alipay and Tenpay. This makes it not only legal but more convenient to purchase funds through the payment platforms, and each user is a potential consumer and investor. 2013 marked the first year of China's Internet finance, when the Internet and fund companies competed with each other in launching various Internet financial products through cross-border cooperation. In 2014, Internet financial products continued to expand the scale, and the involvement of commercial banks and traditional fund companies enriched the range of products. These Internet products have provided more choices for small and medium-sized investors, thus injecting vigor into China's financial market. For example, the "Yu'E Bao" jointly launched by Alibaba Group and Tianhong Asset Management has become popular among users and enjoyed rapid development. The 2015 Government Work Report mentioned Internet finance many times, specifically pointing out "the rise of Internet finance" and encouraging "healthy development of Internet finance". In the same year, 10 ministries and commissions including the People's Bank of China issued *Guidance for Promoting the Healthy Development of Internet Finance*, aiming to facilitate healthy and positive advancement of the Internet finance industry. With the rapid development of Internet technology and the encouragement and support from national policies, China's Internet finance has ushered in a great development period. As an emerging industry enjoying rapid development, Internet finance involves products with distinctive characteristics, which has brought both challenges and opportunities for consumers, enterprises, industries or countries. The key issues center on how consumers will choose products and how enterprises can gain the trust of consumers.

Through literature review and case analysis, this paper takes the Alibaba Group's Ant Credit Pay as an example to study China's Internet financial market. Based on the STP theory and SWOT analysis, it makes a deep analysis of the marketing strategies of this Internet financial product, and then proposes suggestions for its future development. Hopefully, it can be conducive to the development of other Internet financial products.

2. Literature Review

2.1 Related Research on Internet Finance

2.1.1 Definition of Internet Finance

Internet finance refers to the integration of existing advanced Internet technologies with traditional financial functions. Many scholars have discussed this field and believe that Internet finance is the financial enterprises relying on Internet financing platforms. Xie Ping (2012) clearly points out that Internet finance is the “third” financing model involving Internet financial services (such as Internet funds, network microfinance companies, insurance sales platforms), which is different from commercial banks and capital markets [1]. Although this definition is from a narrow perspective, it is more precise and highlights the innovation of Internet finance.

2.1.2 Characteristics of Internet Finance

The rapid development of Internet finance has had a subversive impact on the traditional financial industry. Chen Yan et al. (2016) believe that timeliness and convenience are the primary characteristics of Internet finance [2]. Compared with the traditional financial industry, Internet financial incurs less operation cost and has lower barriers to entry, thus having the potential to become a new financial operation system that possesses advantages in financing, credit, wealth management and crowdfunding. Nowadays, social information is becoming more transparent, information asymmetry is reduced, and Internet finance tends to involve peer-to-peer transactions, all of which have improved the efficiency of financial resource allocation. However, Internet finance also faces special risks. Yang Qunhua (2013) systematically studied Internet finance from the system, technical support and public opinion risks. He concluded that in addition to market risks, liquidity risks, and credit risks confronted by the traditional financial industry, Internet finance also faced technical risks caused by Internet information technology, business risks caused by virtual financial services, and legal risks caused by the hysteresis of laws and regulations [3].

2.1.3 Types of Internet Finance

Typical representatives of Internet finance are third party payment, P2P online lending, crowdfunding, and Internet banking. These different models are responsible for different financial functions, replacing some traditional financial services and penetrating all sectors of the financial industry.

(a) Third party payment

The essence of third-party payment is that there is a relatively strong third-party enterprise acting as a middleman between the two parties of transactions, which helps provide guarantee to both parties to a transaction. Third-party accounts can, to a certain extent, avoid potential risks in the payment for buyers and sellers, thus being of great help to improving trust between buyers and sellers.

(b) P2P online lending

The platforms of P2P online lending are provided by online credit companies to transfer the offline business to online, which matches lenders and borrowers. At present, the most successful platforms in China are B2B and B2C companies controlled by the Alibaba Group. Although P2P online lending is supported by a large amount of real-time transactional big data, there has been an increasing number of problematic platforms in recent years.

(c) crowdfunding

Crowdfunding refers to public financing. For companies or individuals that lacks working capital for their projects, they can make announcements on crowdfunding platforms to attract the attention of the members of these platforms who can provide financial support for launching projects through collective financing. After a project is finished with success, these members will receive returns in the form of dividends and other funds, products, services, media or stocks.

(d) Internet Banking

A large number of similar wealth management products have appeared since the emergence of Yu’ebao. Internet financial products has enabled most Internet users to participate in financial management, who can use idle assets to purchase wealth management products through various

platforms such as online banking or third-party payment. In this way, lenders can not only gain higher interest income than that from bank demand deposits but withdraw the principal whenever they need it. As for the borrowers, they are more likely to be met their needs thanks to the lower requirements to borrow money in Internet Banking.

2.1.4 Characteristics and Current Development of the Internet Financial Market

(a) Characteristics of the Internet Financial Market

According to the statistics and surveys done by China's National Internet Finance Association, the current Internet finance market in China demonstrates the following characteristics. To begin with, it is shifting from rapid development to standardization development. Second, while this industry accounts for a small proportion of the total financial volume, it involves a wide range of stakeholders. Third, there are more business models with differentiated development trend. Fourth, the Internet financial market features great innovation and development potential in terms of ideas, technologies and models.

(b) Current Development of the Internet Financial Market

The increasing permeation of Internet will help Internet financial activities break through time and space restrictions and penetrate all sectors in this field. Despite its booming development, the Internet finance industry is confronted by the most severe test of public supervision and environment due to its uneven development. In 2015, for example, there emerged 917 problematic platforms in the P2P online lending industry, three times more than the figure of 2014. Negative events of Ezubao and Dada Group have gradually exposed problems in Internet financial, such as inadequate supervision, and weak risk control capabilities. The Internet financial market is now shifting from booming to shocking stage, moving toward standard and healthy development.

2.1.5 Problems Faced by the Financial Market

(a) Inadequate Supervision

2016 marked the first year of standardizing Internet finance. The first outline document for regulating this industry was introduced, which clearly defined the concept of Internet finance and classified regulatory functions of various Internet financial formats. However, the top-level design of Internet finance is related to the structural adjustment of the entire capital market, including the entry system, market operators, and investor composition under the trend of mixed operations. All of this has to be redefined in a short time. The document mentioned above does not mean that the supervision over Internet finance is in place. From the frequent occurrence of problematic problems we can see that the government's supervision is not perfect enough, and more systems are needed to regulate all aspects of Internet finance. At present, only companies that meet standards in areas such as fund deposits, information disclosure and license acquisition can obtain greater development prospects.

(b) Lack of Risk Control Capabilities

“In the past two years, the rapid development of Internet finance has also brought many problems. And risk control is the basis for the long-term healthy development of the industry.” Zhang Jun, CEO of an auction and loan company, believes that policy makers may have already seen the tremendous vitality of Internet finance, its role in promoting consumption, and its value in inclusive finance. At the same time, a series of risk events within the industry also make the regulatory and decision-making levels pay close attention to the risks in Internet finance. Many participants do not have the ability to control risks, and some platforms are not joined by the public, which have damaged the reputation of this industry. The emergence of problematic platforms also indicates inadequate risk control capabilities of the Internet finance industry. Besides, economic recession has leave small and micro enterprises in high credit risks. But most Internet finance platforms do not have risk management and control capabilities. Therefore, the market needs to verify whether the risk control model based on big data is mature enough.

2.2 Related Research on Marketing Strategy

2.2.1 The STP Process

In the STP theory, S is short for segmentation, meaning market segmentation. Based on market research, marketers divide the consumer market into several different groups with similarities and sub-markets, so that enterprises can identify the target market. T is the abbreviation of targeting, referring to the selection of the target market. P is short for positioning, meaning market positioning. Normally, an enterprise establishes a product brand or its image satisfying target customers and designs its marketing according to the psychology of potential customers, thus keeping deep impression and unique status and gaining competitive advantage.

2.2.2 4Cs Framework

4Cs marketing theory was proposed by American scholar Robert Lauterborn in 1990, which refers to customer, cost, convenience and communication. Guided by the needs of consumers, he transformed the traditional 4P theory advocating product strategy into the one targeting consumer demand. Internet financial products highlight communication with customers, convenience, and the timeliness and authenticity of information.

2.2.3 SWOT Analysis

The SWOT analysis comprehensively analyzes the internal and external environments faced by an enterprise from four perspectives, which helps design strategies for the enterprise's future development. S refers to strengths; W refers to weaknesses; O refers to opportunities; and T refers to threats. Companies need to investigate and analyze the entire market environment and define the environment in which they operate businesses. Through SWOT analysis, an enterprise can understand the political, economic, cultural, and natural environments of the industry it is in as well as suppliers, distributors, consumers and other stakeholders. It enables companies to grasp their own advantages and disadvantages and design effective marketing strategies.

3. Case Study

3.1 Background

Ant Credit Pay is an emerging Internet financial product used widely nowadays, which is an Internet consumption credit product developed and operated by Ant Financial. In fact, Ant Credit Pay can be seen as an online credit card, with which customers can "make purchase first and payment later". Customers are also able to enlarge their credit limit based on recent consumptions. On August 4, 2016, securities backed by Ant Credit Pay assets were listed on the Shanghai Stock Exchange. Since its launch in April 2015, Ant Credit Pay has been mainly used for shopping on Tmall and Taobao and has been popular among consumers, especially young people born in the 1980s and 1990s. In order to better serve consumers, Ant Credit Pay announced to be open to financial institutions such as banks on May 18, 2018. In a word, Ant Credit Pay has been the first to break the restrictions of shopping platforms, expanding services to more online and offline consumption areas.

3.2 Case Analysis

Based on dynamic concept, this paper makes a deep analysis of Ant Credit Pay's marketing strategies with STP analysis, 4Cs theory and SWOT analysis.

At the beginning, Ant Credit Pay was mainly used for online shopping on Ali platforms such as Tmall and Taobao. Then it was gradually expanded to multi-scenario payment for other external platforms. According to statistics, 33% of Ant Credit Pay users were born in the 1990s, 48% in the 1980s, and 14.3% in the 1970s. In addition, "cool girls" and foodies are the main users of Ant Credit Pay. As for the products purchased with Ant Credit Pay, female products account for 20%, such as clothing, jewelry, beauty and skin care, bags and shoes; snacks, specialty products, beverages and other food products ranked second, accounting for 10%; the following are digital, maternal and child supplies. Meanwhile, in terms of the way of payment, mobile transactions account for 60%. Therefore,

it can be seen that Ant Credit Pay has carried out detailed market segmentation and target market selection. Firstly, it has targeted the e-commerce platforms within the group, and selected young people, females, people who are trendy and accustomed to mobile consumption and online shopping as the target group. Then it kept expanding payment scenarios and areas. Users are granted RMB 500-50000 yuan to make purchases with Ant Credit Pay. And the amount allowed will be dynamically adjusted according to customer consumption and repayment behavior, which makes it a killer mobile payment platform featuring more convenience, security and timeliness. The selection and positioning of the target market of Ant Credit Pay is not static. Instead, it carried out market segmentation and selected targeted markets conforming to its own conditions at the initial stage; then it has kept expanding its business scope, thus establishing strong competitiveness.

The essence of Internet finance is finance still, so people pay much attention to its security and authenticity. Ant Credit Pay employs a comprehensive model of “self-media marketing, website (mobile phone) display, intelligent consultation, and manual assistance”, automatically generates transaction credit records and repayment reminders using technologies such as big data and cloud computing, thus objectively reflecting customers’ transaction integrity and transaction habits. Besides, the platform’s information search function makes its service more convenient and efficient. Ant Credit Pay is secure in that others cannot apply for opening an account and increasing amount for you. On the whole, Ant Credit Pay is successful because it is customer-oriented, providing 7/24 services, full-range support, and transparent information, and possessing stricter control measures. Through relatively simple, low-cost, low-threshold operation, Ant Credit Pay establishes a timely and real feedback mechanism for communication with customers, which makes the customer feel the convenience and quickness, thus meeting their core needs. In fact, instead of using many marketing strategies, Ant Credit Pay’s success can actually be explained by the support from Ali Group. In other words, the strength of Ali Group is the strongest support for the success of Ant Credit Pay.

This paper makes a comprehensive exploration of Ant Credit Pay through SWOT analysis and finds that it has the following strengths. First, it has abundant product modules, provides intelligent and contextual value-added services, and allows user access both online and offline through a paid closed network. Second, Zhima Credit is one of the eight institutions to prepare personal credit reports allowed by the Central Bank in January 2015, which evaluates users through user identity, registration information, interest preferences, credit history, performance, personal relationships, blacklist information, etc. Third, advanced technology is adopted to create a relatively safe user environment. Fourth, Ant Credit Pay started early in China, thus having accumulated great capital and brand strength. At present, more than 3 million shops and merchants in China accept payment through Ant Credit Pay online and offline. It also has some weaknesses. For instance, in order to gain more market shares, banks have worked with suppliers to launch many preferential activities. And bank credit cards generally offer more benefits than Ant Credit Pay. Its opportunities lie in that the Internet financial market is currently planned towards a standard and healthy trend with tremendous support from an enabling market environment and comprehensive regulations. Other opportunities include the increase in the number of people shopping online and the participation of more age groups in online shopping, indicating that there will be more potential customers. Finally, Ant Credit Pay is also confronted by some threats. First, the strategic cooperation between many brands or enterprises has intensified competition in the arena of Internet finance. Second, competitors of the same industry put into heavy investment and have great advantages in functional innovation and marketing. In summary, this paper believes that while Ant Credit Pay possesses great strengths and opportunities, it faces some threats such as severe market competition and in order to develop better in the future, the weaknesses worth more attention.

3.3 Suggestions for the Development of Ant Credit Pay

3.3.1 Enrich Product Content and Maintain Product Advantages

Product appeal is one of the key factors for the sustainable development of Ant Credit Pay and other Internet financial products. In order to maintain its dominant position, Ant Credit Pay must strengthen its core competitiveness and differentiate itself from other similar products. It is advisable

for Ant Credit Pay to enrich its user experience and thus further expand transaction volume through Alipay and Alibaba's e-commerce ecosystem. It is necessary to understand the importance of financial management to users from the perspective of providing services as well as the nature of life, which helps improve brand loyalty.

3.3.2 Increase the Payment Channels of Ant Credit Pay and Improve Added Value of Products

As a crucial factor in the expansion of Ant Credit Pay, marketing channels are still essential for its further development. It is necessary to continuously increase the added value of channels, expand Alipay payment scenarios, and optimize Alipay payment technology. Through multiple channels, Ant Credit Pay will bring greater benefits to users, such as more convenience and a safer environment.

3.3.3 Improve Technology, Guard Against Risks, and Ensure the Safety of Funds and Customer Information

Ant Credit Pay hardly sends risk warning to users on mobile apps; and the frequent use of it also gradually changes users' financial and consumption habits. This study suggests that Ant Credit Pay should not only fully disclose the relevant risks and possible situations to consumers but provide specific information on its mobile client. This will help consumers understand the risks and thus make reasonable expenditure plans. In addition, Ant Credit Pay should continue to improve its technology for guaranteeing account security, thereby protecting investors' money and important identity information.

4. Conclusion

Having undergone severe shocks and many phaseouts, China's Internet financial market is now marching towards healthy, standard, professional and secure development. It is noted that exploiting big data, protecting customer privacy, maintaining transparent, regular and professional information disclosure, and improving national policies and management have become the trend of Internet finance development in the future. Instead of blindly seeking profits like before, the public come to hold a rational attitude toward Internet finance. Therefore, for enterprises, it is of great significance to provide better financial services and improve service scenarios.

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