

The Impact of the Introduction of Netcom on Third-Party Payment and Its Countermeasures

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Abstract—This paper deeply analyzes the impact of the introduction of Netcom on the third - party electronic payment service model and electronic payment market pattern , and use literature research method to further analyzes positive and negative impact on third - party electronic payment service market. This paper uses data collection method and simple descriptive statistics to expound the strategies and recommendations of third - party payment service provider and service model for further development in the future. The paper proposes that large - scale payment institution should continuously innovate business model and profit mode to maintain existing status; small-and-medium-sized payment institutions should focus on high-quality scenarios and complete solutions. So, rapid development of electronic commerce can promote the emergence of Internet finance.

Keywords—Third party payment; Netcom; Direct connection mode; Internet finance

I. INTRODUCTION

With the development of electronic commerce in China, third-party payment network platforms are emerging and widely used, and have become an important part of the network payment system in China. Third party payment (mainly Alipay, net silver and other third party payment), as the supervisor and main payment channel of network transaction^[1], provides a unified platform and interface for the basic payment layer of bank and Union Pay. And to provide consumers with convenient means of payment and reliable service guarantee. With the emergence of Internet financial products such as Yu'e Bao, it can be said that the development of electronic payment is the cornerstone of innovation and development of Internet finance.

In recent years, the third-party payment industry in the rapid development of the payment and financial markets have caused chaos^[2]. After being "consolidated" by the payment platform of the Internet Federation, on the one hand, through risk detection techniques and credible services to prevent the risks of money laundering, fraud and irregularities; on the other hand, small and medium-sized organizations also have the opportunity to catch up with and surpass industry giants. The barrier between itself and the giant is gradually leveled out through the Internet Federation, and the bargaining power between the bank and the bank is limited, and the disadvantages of the small bargaining space will also

disappear in the platform of Netcom, which may be an opportunity for the rapid development of the small and medium-sized payment institutions. To some extent, the network federation can reduce the number of banks and many. The complicated process of direct connection of third-party payment organizations can also make the rights and responsibilities of the parties involved in payment clear, independent and clear. Prior to this, the fees between the payer and the bank were drawn up by a number of third-party payment institutions and several banks respectively. After the establishment of the network federation, all the interfaces are connected to the network connection, at the same price, it can avoid the influence of the right of voice in the industry to fair competition; it also helps to make the flow of funds clear at a glance, which is conducive to regulation.

In a word, the introduction of the network federation will make the whole third party payment industry adjust, but from the perspective of long-term development, this will be conducive to the healthy development of the whole third party payment industry.

II. DEVELOPMENT OF THIRD-PARTY PAYMENT

In recent years, China's payment and settlement industry has been rapid development, which is mainly based on Alipay, non bank payment services Tenpay and WeChat as the representative of the rapid market to occupy a larger share of the third party payment account funds scale is exponential growth, so as to guide the main payment industry market.

According to Analysys data on China's 2017 third-party payment market share, we can see that Alipay and Tencent Financial occupy the status of industry giants.Details are shown in table 1:

TABLE I. THIRD PARTY PAYMENT MARKET SHARE 2017

Third party payment market share 2017	
Alipay	53.70%
Tencent Finance	39.51%
One purse	1.76%
Successive payment	0.76%
Linkage advantage	0.76%
YeePay	0.60%
Quick money	0.53%
Baidu wallet	0.36%
other	2.02%

As can be seen from Table 1, Alipay and Tencent Finance occupy a large share of the market in 2017. Among them, Alipay accounted for 53.70 percent of the market share, Tencent Finance accounted for 39.51 percent of the market share, the entire third-party payment market can be said to be monopolized by Alipay and Tencent Finance. At the same time, these two giants also have the advantage resources and conditions in the third party payment market, have the absolute voice and influence.

In addition, we can also see that the total turnover of third-party mobile payments in China in 2016 was 58.8 trillion yuan, according to the data from the report on the third Party Mobile payment Market in China by Ariel Consulting in 2017. Fig. 1 presents and forecasts the recent development of the value of third-party mobile payments in China from the aspects of transaction size and year-on-year growth rate.

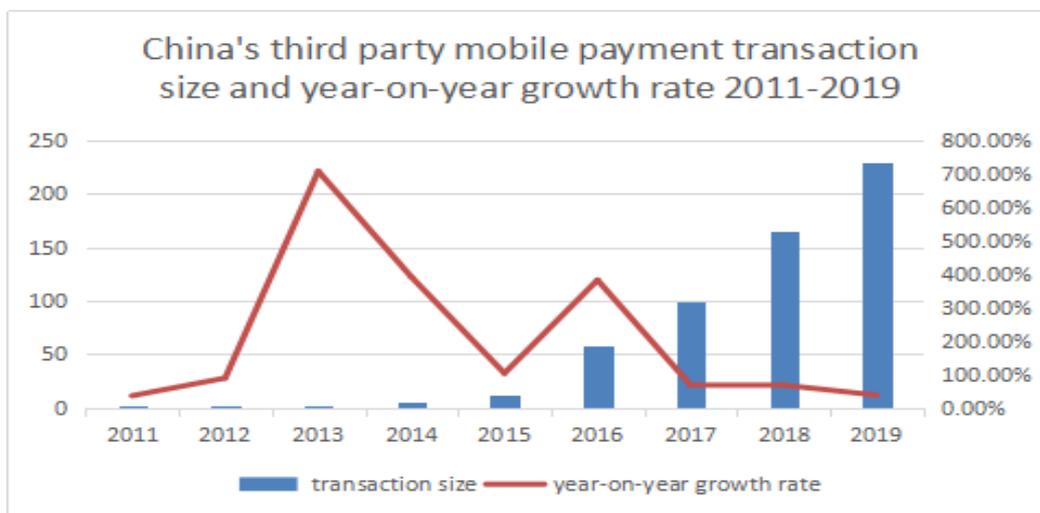


Fig. 1. China's third party mobile payment transaction size and year-on-year growth rate 2011-2019

It can be seen from the above chart that the scale of third-party payment transactions in China has kept increasing since 2015, indicating that in 2018, the market share of third-party payment in 2019 still has a larger growth trend, and the scale of transactions will continue to expand. China's third party mobile payments rose to their highest level in 2013 year on year, but generally declined in the following period, and continued to decline after 2016.

Before the network platform line, third party agencies and banks directly connected to the interface, choose to bypass the union, including payment and settlement business also crossed with UnionPay bank directly. This disorderly development has brought many problems and risks, many Payment institutions using reserve account disguise was

profitable in recent years, account deposit misappropriation occupation phenomenon a lot of. At the same time, the third party payment market chaos frequent, and the lack of corresponding security measures, there are a lot of financial risks and risks, such as policy risk, liquidity risk, financial security risks.

III. THE INFLUENCE OF THE ESTABLISHMENT OF THE NETWORK FEDERATION ON THE THIRD PARTY PAYMENT

Since June 30, 2017, since the launch of cutting volume, the Internet platform cumulative fund transactions transfer clearing number of successful breakthrough 10 billion. Netcom platform rapid growth, steady progress, constantly unified, fair and feasible system of standards and norms by co-studying and discussing with trade organizations, adhering to the concept of standard first; taking market forces as the main body and supervision and coordination as the guide, and establishing a unified, fair and feasible system of standards and norms; Platform operator.

As of March 31, 2018, net link has cut 343 banks and 105 institutions, plans to access 460 banks and 115 institutions to cover 100% of accounts. Large third-party payment agencies have more direct banking channels in their payment operations, and advantages such as low collection rates are likely to disappear, he said^[3].

Network connection launch marks on the non bank payment institutions to upgrade^[4], directly off the direct mode for the development of the third party payment institutions, with both advantages and challenges.

A. *The positive impact of the establishment of the network federation on the development of third party payment*

1) *Promote the return of third-party payment to the source and improve the profit model*

Netcom platform can help the third party payment agencies access to all bank interface, to some extent reduce the banks and payment and settlement channels docking and interconnection costs, provides a unified technical specification standard, to avoid the payment institutions and banks trading interface repeat, can make the capital clearing operations more centralized, standardized and transparent. For example, can make the payment transaction information, the account information, the flow of funds to the financial supervision departments becomes transparent, Centralized Payment institutions excess reserves depository also has technical feasibility. The on-line network payment platform, can improve settlement efficiency, reduce operation and maintenance costs. Unified support Managing reserve money strictly according to the independent business supervision requirements of payment and liquidation in our country. Netcom can also urge third-party payment enterprises to concentrate on expanding the scene, optimize the user payment experience, and return the focus to payment business. Seeking to transform and develop value-added services around payment, develop long-term and healthy customer relations, pay attention to sustainable development of core competitiveness, increase innovative payment services, upgrade service platforms, expand service channels and improve service quality, That is to improve user experience, improve payment efficiency, enhance customer satisfaction, cultivate customer loyalty, and then enhance profitability.

breakthrough. The construction of the network connection platform fully relies on the existing mature business, technology and talent advantage of the payment organization, adopts the advanced distributed cloud architecture system, component, modularization, integration, agile iteration, gray scale upgrade frontier development mode; To establish a

B. *The negative impact of the establishment of the network federation on the development of third party payment*

The establishment of the Network Federation has a positive impact on third-party payments, but also a negative impact. Under the direct connection mode, the bank can connect with the third party payment institution in depth and expand some special business, such as special reconciliation, joint business and so on. But under the platform of Internet connection, the third-party payment institution cannot carry on the characteristic transaction with the bank, this will be disadvantageous to the differentiation service. In addition, the current third-party payment is basically a competition between Wealth Link and Alipay, while other small payment organizations have little meaning and little room for development, but after the introduction of Netcom, Third-party payment agencies will be back on the same starting line, and the bank's special function interface will be cancelled, which will mean The competition in the payment industry as a whole is increasing. It is both an opportunity and a challenge for large and small payment institutions.

1) *Reducing availability of data for institutions with large market share, breaking of bargaining space and sharing of profits*

At present, third-party payment is mainly based on payment account data, such as big data analysis and cloud computing based on collected user browsing history, order type, payment process, transaction behavior and other related structural and non-structural data. Fully mining secondary data value, matching user needs, providing value-added services for users, and further creating commercial value. For large payment institutions such as Alipay, Tenpay, the launch of the Internet platform is bound to reduce the availability of its data. On the other hand, under the "direct link" model, the two industry giants can negotiate separately with the banks, because there are huge amounts of deposited funds to be used as bargaining chips. Often lower rates and better conditions can be obtained, and the presence of the network federation will break its bargaining space with banks, allowing it to have a larger voice in the payment industry in the past, and to rely on the number and scale of customers. Large payment institutions, such as account reserve payments, have lost lower rates and preferential terms, lost their data monopoly status in the payment industry, and shaken their position of dominance at the bank end. The long-term advantage of scale will also be severely impacted, further resulting in its profit sharing, and gateway advantage must also disappear.

2) *Ending the profit model of dependence on reserve interest margin, the implicit income of reserve is reduced*

The introduction of the network federation can stimulate the development potential of the small and medium-sized payment institutions, and bring great opportunities for the future development of the small and medium-sized payment organizations. At the same time, however, the operation of the platform will certainly unify the business rules and technical standards, and implement unified centralized management of the account reserve, which will inevitably break the main profit model of the current third-party payment organizations "eating interest margin." So that the small and medium-sized payment institutions which depend on the profit of customer reserve to reduce its "hidden income", make it more difficult for them to make profits.

IV. THE CORRESPONDING STRATEGY OF THIRD-PARTY PAYMENT DEVELOPMENT IN THE CONTEXT OF NETWORK CONNECTION OPERATION

A. *Seeking for the Transformation of earnings pattern, effectively invigorating customer data*

In general, in the face of the introduction of the platform, third-party payment institutions should strive to seek the transformation of earnings, in the past, "eat the spread" of the main profit model is no longer suitable for the existing scenario. This requires third-party payment organizations to effectively activate customer data, understand the daily behavior of customers through payment, and bid farewell to the phenomenon of "getting more familiar with customers' funds and becoming more unfamiliar to customers"^[5]. Because the daily behavior of customers is often more than the change of account amount and the use of financial products, it can reflect the amount of funds, financial needs, consumption structure and so on. It provides the source of data for the transformation of earnings and income pattern, and pays attention to the payment business. Customer experience, fully understand the importance of payment business. In addition, we should combine the consumption scene, develop the financial service according to the customer's demand, and enrich the financial products. On the one hand, revenue can be increased through these new financial products; on the other hand, more consumer and communication data can be attracted through new customers, thereby promoting economic development and the overall flow of information. Of course, the product strategy should pay attention to the account channel, and take the initiative with the bank to explore the new payment mode, try to avoid the negative impact of the single model of Netcom on the payment business.

In the face of the more and more obvious homogenization service phenomenon in the payment market, this requires third-party payment organizations to make rational use of resources, actively utilize the advantages of the Internet connection platform, actively innovate products and improve services. And take advantage of the end-customer-oriented business innovation advantage to form price competition, service competition differential.

B. *Large payment institutions should constantly innovate their business models and profitability to maintain their existing status*

For large payment institutions, to break through the framework limit. Third party payment organizations are forced to liquidate access Netcom platform, which makes consumer data, payment data, communication data and other data flow into the platform, the data gap is broken. If the federation is willing to disclose the data to commercial banks, commercial banks will have access to more customer information. Then using these information, and combining with specific consumption scenarios, to develop more financial products that meet the needs of customers. On the one hand, revenue can be increased through these new financial products; on the other hand, more consumer and communication data can be attracted through new customers, thereby promoting the development of the economy and the overall flow of information. Under the network connection mode, the payment organizations also draw the starting line, how to make good use of all kinds of resources for product and service innovation, become the key to its competition. The introduction of Internet connection has significantly increased the cost of third-party payment agencies, made the market environment worse, and the scattered small payment business may encounter a service gap. Therefore, we can pay attention to the field of small payments, the development of scattered small payment business.

C. *Small and Medium-sized payment institutions focus on quality scenarios and complete Solutions*

For small and medium-sized payment organizations, the network online is not a panacea, still needs their unremitting efforts and active efforts. Once the platform is in operation, it means that financial scenarios, communications, and commercial real estate and other Internet giants will provide high-quality scenarios, and as small and medium-sized third-party payment agencies, they must cling to these high-quality scenarios and make efficient use of their resources. Further enhance their core competitiveness, grasp the ecological circle synergy, and finally break through the existing situation. Of course, this requires it to start with product innovation and value-added services, and the Internet Federation has cut off third-party payment agencies both on the payment end and on the receiving end. The bridge function of the network is that the payment terminal can pay the money directly to the bank account through the network couplet, and the receiving end can separate the money to the different bank account through the network couplet after receiving the payment. These are actually two new business models that provide opportunities for small and medium-sized payment agencies. But if small and medium-sized payment institutions want to develop these two businesses, they must have the support of commercial banks. Therefore, small and medium-sized payment institutions should also pay attention to the development of commercial banks, looking for potential partners. In addition, small and medium-sized payment institutions should also make full use of stable, high-quality channels, give full play to the advantages of the front-end, will do a more complete solution, deeper.

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