



Tutorial 2: Question 2

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ANT Group 蚂蚁集团

- Began as the financial affiliate of Alibaba in 2004 → Became a separate entity in 2011
- Owns China's largest digital payment platform, Alipay
- Offering services such as: Digital payment, Microlending, Insurance, Wealth management



Question 2

For this question refer to the case “Fintech and Finance Transformation: The Rise of Ant Financial Services”. Your answers should consider but not limited to the information provided in the article.

a) What do you think are the factors that make Ant Financial so successful?

Serving overlooked market segments

Alipay

Escrow account between merchants and customers

Alipay addressed the issue of lacking trust between merchants and customers in the emerging C2C e-marketplace, allowing it to secure a strong position in China's online payment market.

Yu'e Bao

Personal wealth management services

At the time when wealth management services for average individuals were still rather underdeveloped, Ant Financial offered Alipay users to earn interest with their Alipay balance through Yu'e Bao, its money market fund investment product.

AliLoan

SME financing

As Ant Financial further develops in financing services, it became aware of SMEs' increasing financing needs which were not well satisfied. Hence AliLoan was established to offer micro-loans for SMEs.

Strong Data Analytics Leverage

Customer understanding

Ant Financial applies data analytics to better understand customer behavior and preferences. For instance, it was discovered that younger generations increasingly want more personalized and segmented financial products.

Credit assessment

Zhima Credit, Ant Financial's credit scoring system leverages on both online transaction data sources and in combination with other offline data

Risk management

As China's regulator tightens supervision on Internet finance services to reduce financial risks, Ant Financial has systematically leveraged on data analytics in risk control and regulatory compliance such as real-name registration, know-your-customer policies, etc. Such is thought to help ensure the liquidity and safety of Yu'e Bao.

Strategic Industry Partnerships

F&B industry investments

Koubei, Ele.me, Didi Chuxing, etc.

Why invest here?
Consumers partake of these companies' services → Consumers use Alipay to fund consumption → Consumers eventually grow more likely to use Ant's other services too

Selling software to banks

Support banks' digitalisation + aim to work with over 1000 banks (~¼ of China's banks) by end-2020.

Bank of Nanjing: risk management and cloud-based finance

Huaxia Bank: blockchain, AI, biometrics

Other finance ventures

Insurance: Zhong An Online P&C Insurance Co (joint venture with Tencent and Ping An Insurance); 60% controlling stake in Cathay Insurance

Wealth Management: Caifu Hao

Global platform investments: Kakao Pay, Klarna, Paytm, GCash, Lazada and Dana, etc.

Differentiated Position: TechFin, not FinTech

Core focus

Ant keeps its focus on its core competency of technology rather than finance.

"Let tech companies do tech, let finance companies do fin" mindset emphasises technological capability as their unique edge.

Why tech first?

FinTech is already known for reducing inefficiency and cost, but shifting the focus to TechFin means that they can devote more energy to improving customer experience while innovatively solving existing pain points.

Ant's role in the finance ecosystem

Ant harnesses technology to radically reimagine the customer experience rather than the nature of finance.

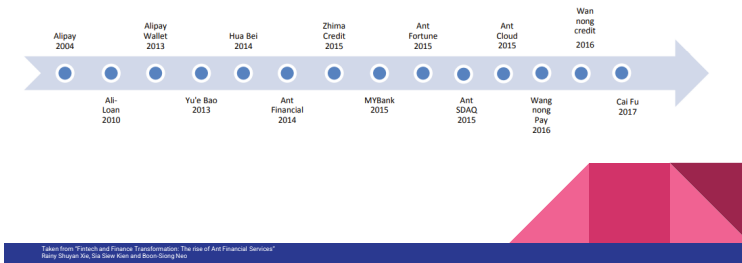
In other words, they serve as enablers in the financial world, providing platforms and services for existing institutions and stakeholders to carry out transactions.

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b) Given that Ant Financial has provided numerous financial products and services, what do you think should be in their plans for future expansion?

Figure 2
Timeline of Ant Financial's Products and Services



Challenges

Conversion of local users

- Banks will continue to be the dominant players
- Local users might be more inclined to adopt established bank's e-payment system (Paylah vs Alipay)

Increased Competition

- **Tencent** (37% market share)
Integrated wechat pay and financial services into its wechat application
- **JD Finance**
Formed strategic partnership with Tencent through increased customer database
- **Baidu**
Launched wealth management product - "Baifa"

Government Regulations

- China's crackdown on Fintech firms to prevent and limit acts of monopoly
- ANT group was fined US 2.8 billion for antitrust fine
- Ant Financial Services forced to restructure and be a financial holding firm
- Suspension ANT's IPO
- **Resulted in:** Slower growth, limited profitability & valuation, possibly the rise of new competitors

Opportunities

Overseas Expansion

Countries Ant Financial ventured into

- United States
(Partnered with Moneygram)
- India
(40% stake in PayTM)
- Thailand
(20% stake in Ascend Money)
- Singapore
(Acquired helloPay, Lazada)

Collaboration

Collaborate with banks

- Adopted an open collaboration approach
- Work together closely with traditional financial institutions.
- Partnered with more than 400 financial partners and worked with more than 200 banks, 100 firms and 80 insurance companies

Potential growth on less mature sectors

Focus on growth in

- B2B services
- Wealthtech
- Insurtech

ANT Group's plans for future expansion

- **Focus on less mature sectors** of Fintech (eg- B2B payment services)
- **Offer and expand their financial products and services** to other countries (Wealth management platforms, investments)
- Target countries that yet have a strong online presence of digital payments
- **Product innovation and talent acquisition**
 - To curb the increasing competition
 - Further strengthen their customer base locally (esp the middle class people)
- **Compliance** with their domestic regulations



Thank You

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