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Office of the Vice Provost for Advances in Learning



MODULE 1 UNIT 1

Casebook Video 2

Transcript

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LAUREN COHEN: Long Chen knew that the key to his success and the success of Ant Financial was not where they currently were, but where they were headed. If there's one rule of FinTech, it's that if you stand still, your competitors are going to overtake you. Long had three real strategy points that he wanted to push Ant Financial forward with.

The first, was that he wanted to get in to the financing of small businesses and entrepreneurs on the parent platform of Alibaba. So, these were through these huge online shopping platforms of Taobao and Tmall. And the idea was that Long would come in with Ant Financial, and they would provide financing to these small entrepreneurs so that they could expand their businesses and provide the goods and services that people were so desperately wanting to get from these platforms.

Now this sounds like a great idea, and in some ways it was. They had a great relationship, obviously with Alibaba, their parent company, and so they could get really great proprietary data on each of these individual businesses. That being said, it was a really tough market to try to finance because many of these businesses had just one, two people working for them, they had one or two months of actually being alive. And so it's really hard to assess who the good bets were, and who the poor bets were in this market. Along with that, they wanted to expand into rural China. And so rural China was massively and very quickly expanding, and expanding especially on this wealth front. So they were getting wealthier, and they were actually building larger cities within these historically rural areas.

Now, the good part is that they were historically unbanked. And what I mean by unbanked is that there was no bank penetration there. And so the competition for Ant Financial, was much, much lower in these rural areas. Of course, the downside is that these rural areas also had no credit history. So again, it was really tough to tell who the good borrowers were from the bad borrowers. And so that was something that Ant Financial had to do and had to do on a bit of a shoestring budget without really a physical presence in these areas.

The third area was international expansion. Long and Ant Financial, they weren't happy with being the kings of China, but they wanted to move and really be a global provider of financial services and all of these services throughout the world. They felt they could do so much good for the world if they could provide their services abroad. Now, this was a really tough problem, because first there were established services in many of these other countries that they would have to go head-to-head with and compete with if they expanded there. And second, in the places where there weren't these established services – so these were some of the more developing countries – it was really tough to come in and to make some headway, first in terms of the infrastructure that existed, and second, because the regulatory issues that existed in many of these countries.

But Long saw this as a really critical aspect of how Ant was going to grow in the future is that they had to expand to these other places. Not only to provide what they thought were great financial services and a great value to all these other citizens of the world, but secondly in order to provide these same seamless services that all of the customers of Ant Financial had in China when they would travel abroad.

And so, sitting back, Long knew that one of these three was going to be the key to success.



And so, what I want you to wrestle with is this exact problem facing Long, alright. Which of these three paths do you think is the right path for Ant to take? Because, while it can try to take all three, it might spread itself too thinly. So, I want you to pick what you think is the most promising path, and I want you to really think critically of why that's the way forward for Ant Financial in terms of its next 20 years.

