



**BEEM061 Fundamentals of Financial Technology**

**Assignment Part A**

# **Introduction of Ant Group and JD Digital Science**

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## **Abstract**

This essay explores two fintech companies from China – Ant Group, the number one fintech company in China with a total value of RMB 1,141.112 billion, and JD Digital, the third largest fintech company in China with RMB 139.264 billion. In this article, the two companies are described in terms of their background and industries covered, areas of disruption, similarities and differences, and strategic planning.

## **Company background and industries covered.**

### **Ant Group**

Ant Group started as Alipay in 2004, and in March 2013 Alipay's parent company announced that it would be the mainstay of a small and micro financial services group, which became the predecessor of Ant Financial Services. The group's financial services include payments, funds, services, crowdfunding, industrial finance, wealth management, insurance, banking and credit, forming a complete supply chain financial ecology. In terms of technology, Ant Financial Cloud, TRaaS, a technology risk prevention and control platform, and OceanBase, a financial-grade distributed relational database (the TPC-C benchmark, known as the "World Cup in Database") have been launched. "In 2019, AliCloud BaaS (including Ant Blockchain) was ranked second overall on Gartner's list of the world's leading blockchain BaaS, behind Microsoft; in the three years from 2017 to 2019, Ant Financial had ranked first globally in blockchain-related patent applications in all three years from 2017 to 2019. failed IPO in 2020 and strategic partnership with global payment platform 2C2P in 2022.

### **JD Digital Science**

JD Digital Science started in 2014, backed by JD Group to gain rapid growth, and renamed to JD Digital Science in 2018. It mainly covers four business segments: finance, lending, insurance and installment. In terms of digital technology, we have launched the "Smart City Operating System", the IoT-based digital marketing platform - JD Molybdenum Media and the "ABS Cloud Platform", and have implemented the intelligent parking solution for the Beijing International

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Daxing Airport and the self-developed indoor delivery AI robot. It was applied to the Shanghai New Crown Pneumonia Treatment Centre, and built the Nantong Smart City Operating System and the Nantong Modernization and Governance Platform in Jiangsu Province.

## **Disrupted areas**

### **Ant Group**

#### **The pioneering of microfinance**

Pioneered the use of Alipay users for tiny wealth management by private enterprises in China. The product Balance Pay grew rapidly to RMB578.9 billion in 2014, surged to RMB1.58 trillion in 2017, and as of the second quarter of 2019, the size of Balance Pay assets fell to RMB1.03 trillion, while the number of users grew to 619 million households with an average household holding of 1,670 shares.

#### **Innovation in credit for micro and small enterprises**

Net Shares Bank is the first bank in China to have its core system structured on the financial cloud, with no offline branches, relying on its own internet risk identification, technology system capabilities and data analysis to provide equal, convenient and fast financial services. Neteller Bank's performance has maintained its rapid growth momentum. in 2018, Neteller Bank's operating income and net profit amounted to RMB 6.284 billion and RMB 671 million respectively, representing year-on-year growth of 47% and 66% respectively. in 2018, its total assets reached RMB 95.9 billion, three times of the RMB 30 billion in 2015.

#### **A double disruption in consumer credit**

While Ant Change is a consumer credit product, the nature of its business is equivalent to an online virtual credit card, while Ant Lend is an online pure credit-based loan product that requires no collateral or guarantee and enables users to obtain credit amounts ranging from RMB1,000 to RMB300,000 as long as they meet Ant Financial Services' requirements on Sesame Credit Score. Ant Financial Services' consumer finance business is highly competitive in the industry. in 2017, Hua Chant issued RMB187.5 billion of personal consumer loan ABS and Debit issued RMB139.9 billion, which together accounted for 54.78% of the total annual issuance of RMB597.7 billion in

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2017.

### **JD Digital Technology**

**The highlight of JD Digital Science's business that stands out from its peers is supply chain finance and ABS.** parent company JD started as an e-commerce company and has a large amount of production, procurement and logistics data. As a result, JD Finance has a natural advantage in launching fast loan products (Jingmiao Loan), a full trade process funding support business (Jingbao), and corporate investment and finance products (Enterprise Vault) to meet the two basic needs of enterprises for financing and value preservation.

**Another highlight is the ABS platform.** Not content with issuing 14 issues of its own system of underlying credit assets, JD Finance is also building an open platform that includes all participating entities such as originators, special purpose vehicles (SPVs), investors, asset service providers, law firms, fund custodians, credit rating and credit enhancement agencies; and with this platform, it is exporting a series of full process services such as asset evaluation and model development.

### **Commonalities**

**Both are financial technology companies, and have gone through the process of de-financialisation to technology and back to the unification of finance and digital technology.** The business of JD digital technology is mainly the JDWhite Stripe (benchmarked against Ant's "Flower Chant") and Gold Stripe (benchmarked against Ant's "Debit Chant").

**The lending business is the main source of business revenue for both companies,** and since 2017, the revenue share of the micro-lending technology platform in the Ant Group has increased from 25% to 39% by 2020, making it the company's top business; the revenue share of JD Digital Technology's acquiring and membership management, ticketing platform and other digital solutions for enterprises and merchants has been decreasing, and the combined revenue share of JD Gold Stripe and JD White Stripe has increased to 43%, making it the number one business in 2020.

### **Differences**

**There are fundamental differences in the businesses and revenues of the two companies,** with Ant Group's revenues being dominated by internet financial services, relying on Alipay to provide financial services to consumers and merchants, while JD Digital's business is focused on providing solutions to customers such as financial institutions, enterprises and governments.

**Ant Group has stronger platform attributes and leads in digital financial services, while JD Digital Technology favours digital technology.**

**The difference in focus in the payments business** is that Ant Group's payments business is user-focused and directly aligned with C-suite traffic, with revenue coming from transaction service fees charged to merchants and transactions, as well as fees charged for financial transactions and personal transactions. JD Digital focuses on merchants and provides value-added merchant services. At the user level, the Company's main strength comes from JD Mall.

## **Proposed Future Development Strategy**

### **Ants Group**

Due to the failure of the previous IPO, in the future the Ant Group **should strengthen its support for weak government regulation and its own management while strictly complying with the relevant national policies and legal regulations.**

In terms of technological innovation Ant Group continues to carry out financial innovation based entirely on the Internet and BASIC emerging technologies. **Firstly, it needs to ensure the stability of the emerging technologies, and secondly, it also needs to make good emergency response plans for potential security risks that may exist with the emerging technologies and how to protect user privacy and other issues.**

### **JD Digital Technology**

As the business of JD Digital Technology mainly originates from JD Group and the target users are basically from JD Mall, it is crucial to **increase the market share at the user level in the future.** Although JD Digital Technology has repeatedly emphasized the attributes of science and technology, and "digital technology" is repeatedly mentioned in the prospectus, but when it comes to specific businesses, JD White Bar and Gold Bar are still the main source of income for JD Digital Technology.

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In the future, **the key to transforming into a technology company is to use technology to complete the transformation and increase the investment in research and the proportion of research personnel.**

## Conclusion

In general, as the two companies have experienced the failure of listing, the valuation of the company has experienced a significant shrinkage. In the future, the deep integration of finance and technology using digitalization is the key to future development, rather than simply harvesting traffic, when the integration of finance and technology to achieve digitalization, in the implementation of the real economy, should be the development direction of the two companies.

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