



智产智融
Smart P&L

Smart P&L

Market analysis report

by Sparklefish



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1 Overview of SME Financing Market

According to China's "SME Promotion Law", Small and medium-sized enterprises are the enterprises that established in the People's Republic of China is conducive to meet the needs of society, increase employment, in line with national industrial policy, production and management scale is small and medium-sized ownership and various forms of enterprises.

SME financing can be divided into endogenous financing and exogenous financing. Endogenous financing is mainly the original input of small and medium-sized enterprises and self-accumulation in the process of production and operation. That is, SMEs use their own funds to meet their own financial needs, including capital, retained earnings, depreciation funds and so on. Exogenous financing refers to the use of external funds to finance the enterprise. In accordance with the participation of financial institutions, exogenous financing can be divided into two types of direct financing and indirect financing, including the issuance of shares, bonds, commercial credit, private loans, bank loans, financial leasing.

1.1 Direct financing market conditions

The main ways of direct financing of small and medium-sized enterprises are stock financing, bond financing and private financing. The way of direct financing depends on the development of capital market and the abundant state of private capital.





(1) Stock financing. At present, the vast majority of SMEs in China cannot be in the open securities market financing, it can only be funded within a certain range, usually in the sponsor, the relevant departments and internal staff between the shares, which to some extent limit the small the scope of corporate finance.

(2) Bond financing. Most small and medium enterprises cannot issue bonds in public capital markets. Even if the enterprises got the qualification, there are still in the strict constraint of "scale control, centralized management, grading approval". Therefore, small and medium enterprises usually sell small amount of corporate bonds in the non-public capital market to meet the business needs of the funds. This bond is generally about 1 year, and its interest is higher than the bank interest in the same period.

(3) Private financing. When small and medium enterprises in the application for bank loans refused, the private financing to become the main source of financing for small and medium enterprises. Civil financing is one of the most primitive financing methods, it includes P2P, P2B and many other sorts of financing. For instances the borrowing between relatives and friends, personal property mortgage loans and even the usury and so on. Before China's reform and opening up, the borrowing between individuals is only used to maintain the basic survival of the necessary consumption. Only after the reform and opening up, private financing could gradually into the field of production. Since China's capital market development is not perfect and many private small and medium enterprises cannot obtain loans from financial institutions, in some places like Zhejiang, Ningbo and Wenzhou and other economically developed areas, private financing has become an important channel for private enterprise financing.





In summary, China's direct financing market for small and medium enterprises to private financing, the development of different regions is very uneven.

1.2 Indirect financing market conditions

China's small and medium enterprises indirect financing channels are bank loans. Due to the variety of bank loan services, the simple and convenient procedures, bank loans become the main way for SMEs to obtain external financing. But in fact in addition to bank loans, indirect financing also includes financial leasing, fund financing and so on. By the enterprise system and the operator's ideas and other factors, China's small and medium enterprises through the equipment rental financing is very small. Only a handful of high-tech middle and low companies use this indirect financing to finance.

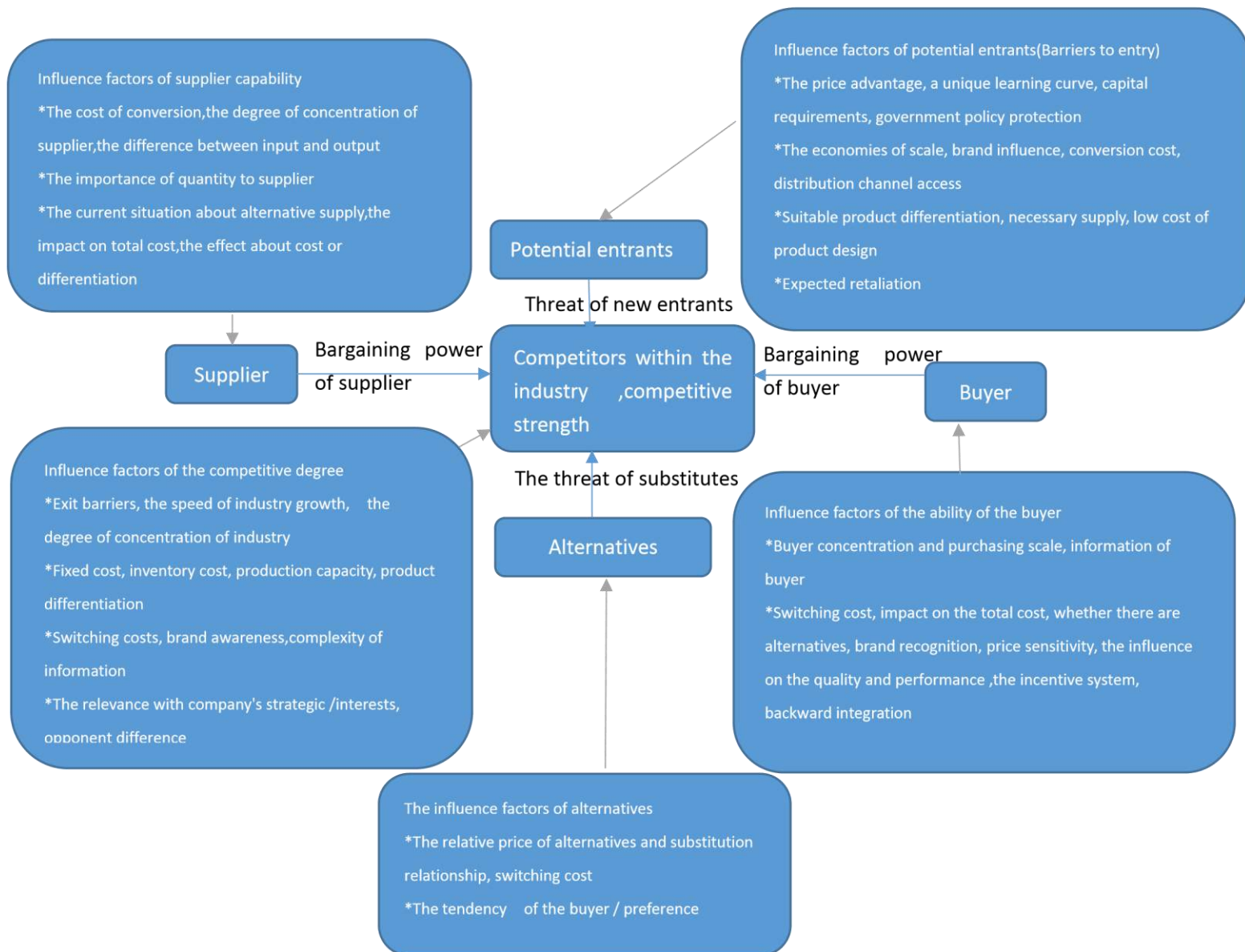
In addition, due to the credit guarantee system has not yet established, the bank has taken a focus on the direction of credit to focus on large enterprises and individual consumer credit strategy. Coupled with the high risk of small and medium enterprises themselves, management is not standardized, the concept of indifference and other reasons, small and medium enterprises difficult to obtain loans from the bank.





2 Industry analysis based on Michael Porter's Five Forces

2.1 Model





2.2 The existing competitors

Loans of SME can be mainly divided into three types: credit loan of enterprise, loan against collateral of enterprise, secured loan of enterprise (joint loan). Credit loan of enterprise is a loan with simple flow, quick approval and quick loan, but its line of credit is relatively low, only suitable for enterprises with a small financing gap; loan against collateral of enterprise refers to some enterprises who use their own land or real estate property, the value of equipment or goods inventory as collateral for loans. Compared with credit loan, the line of credit of loan against collateral will be relatively high; while secured loan of enterprise refers to enterprises apply for secured loans by selecting a bank of any third party to provide joint liability guarantee when two kinds of loans mentioned above cannot be carried out. In the existing market, according to the different financing and investment targets, the platform is mainly divided into three categories: P2B, P2B, P2C.





Classify	Definition	Application
B	B stands for Internet financial services platform, a model about personal loans for a business. P2B platform just provides financing services for small and micro enterprises, and the borrowing enterprises and their legal entities (large shareholders or actual holders) are to provide business and personal security, and basically do not provide pure credit unsecured loans, plus a borrowing margin account similar to guarantee model, so from the perspective of investment risk analysis, P2B has more investment security than P.	Zhonghui, Love Investment, Zhonghui Online, Zhonghui Financial Service, Zhonghui aifan, Zhonghui dou net, Xingtouzi, Lqianbang, Zhonghui Cat Financial Service
P	P is known as peer-to-peer lending, referring to a new financing model that makes company as the intermediary, docking the debit and credit sides to relieve their borrowing needs. The borrower may obtain unsecured loans or mortgage loans, while the intermediary generally charge one or both of the sides or to earn certain spreads for the purpose of profit.	Yixian, Yirendai, Dianrong, Zhonghui peer-to-peer lending, Zhonghui DAI, Weidainet, Zhonghui yuidai, Lqianjin, Kaixindai, Zhonghui jina net
C	C is a kind of personal and business lending financing model, developing high quality SME customers through the line, introducing effective financing guarantee institutions to guarantee the project, and searching for common investors through the Internet platform.	Zhonghui jacks box, Zhonghui peer-to-peer lending, Zhonghui jizi, Zhonghui fu

Table: Network lending platform classification





According to the existing situation that investment and financing platforms for small and medium-sized enterprises are facing the dilemma that lies in the credit assessment and risk management. When advocating a high rate of return to suction gold, the capital pool of the platform is facing continuous net loan security incidents. Compared with P2P, P2B and P2C platform, Smart P&L improves the safety and reliability of the platform by directly establishing inter-enterprise ecosystem and function evaluation to improve the credibility and accuracy of enterprise credit evaluation, and avoids the liquidity risk caused by self financing pool. At the same time, on the basis of the third party financial services platform, Smart P&L provides the functions about setting up an independent enterprise exchange circle and looking for multi-party enterprises to apply for loans. Currently, the existing investment and financing platform has not integrated all these functions, therefore, Smart P&L has a strong competitive edge.

2.3 The potential competitors

Generally speaking, the main barriers include the following aspects: capital investment, customer loyalty, cost advantage, technical barriers, resources of suppliers, using right of sales channels, economies of scale, government policy and so on. According to the analysis of product categories and service object, potential competitors of smart P&L may exist in the area of supply chain finance. The current supply chain finance platforms are developing quickly, but because of the existence of inter industry differences, currently the financial products on the platform are also various, from electronic business, wood supply to metal smelting, they all have different supply chain finance platforms. And because of the limit of science and technology, the current block chain technology, big data tracking, cloud computing etc., have not really been applied to the risk management and control level of supply chain finance, and the credit default risk unexpected situation cannot be effectively solved, so the threat of potential competitors is currently relatively weak.





2.4 The threat of substitutes

In the current market, alternatives of Smart P&L are mainly the products providing other investment and financing forms in addition to loans between enterprises, including the financial products on the platform of P2B, P2C, P2P. On the one hand, the number of domestic Internet lending platform is so large that the phenomenon of financial products homogenization is serious; on the other hand, most of the platform products are also faced with high risk of default because they do not know the production and operation situation of their financing target well and the information is seriously asymmetric.

Based on the third party financial services platform, Smart P&L mainly serves the business users with lending services and joint loan services. Based on enterprise ecosphere and strict credit audit and intelligent recommendation, the platforms can build an ecosystem of firms for lenders and borrowers to know each other better, reducing information asymmetry and making every enterprise know more about the production and operation situation of their cooperative enterprises when doing investments or guarantee for the other company, so as to reduce the credit risk of default, and improve financing efficiency through intelligent matching and recommendation between enterprises . In view that there are many relevant financial products currently, the threat of substitutes is larger.





2.5 Bargaining power of buyers

The platform serves mainly small and medium-sized enterprises that are subject to financing problems and cooperative financial institutions.

For the small and medium enterprises, due to the platform that provides links between enterprises and credit guarantee business has not yet appeared in the current domestic market, the promotion of Smart P&L can quickly capture the market with its unique and pre-entrant advantages. Objective and reasonable charge of management, unique business negotiations circle, comprehensive application of a variety of loans types can effectively attract small and medium-sized enterprises. At the same time, the continuous developing enterprise user group will also have the agglomeration effect, to improve customer loyalty. So when the platform user reaches a certain size, the bargaining power of small and medium-sized enterprises will become lower.

For financial institutions, services of the platform, such as credit rating, collateral assessment can be approved financial institutions or not is one of the key factors whether the platform can be competitive, so the platform needs to listen to the needs of financial institutions, meet their requirements of credit audit and information provide, so the bargaining power of financial institutions is strong.

2.6 Bargaining power of suppliers

We will analyze suppliers of Smart P&L as enterprise data providers and industry analysis providers. Because the enterprise credit rating database of Smart P&L is based on enterprise registration information and using records of enterprises on the platform together, only the initial registration data of enterprises requires the cooperation with relevant providers such as the third party credit bureaus. As for the industry analysis information section, most of the industry news and consulting enterprises can be obtained through the crawler technology, the platform itself will also provide related analysis. So the data provider's bargaining power is low.





3 Internal condition analysis of enterprise based on VRIO model

Presently, the resources of Smart P&L include technical resources, human resources, organizational resources and so on. We will analyze the resources and capabilities of the platform based on the VRIO model to find out its advantages and disadvantages.

3.1 Value issues

As a professional service platform for financing of small and medium-sized enterprises, Smart P&L fully embodies intelligent technology. Through the establishment of inter firm partnership network, the platform provides information, standardized transaction services and mutual guarantee service between enterprises, helps enterprises to successfully finance from bank loans and loans between enterprises. Smart P&L utilizes their own technical advantages to build up inter enterprise financing guarantee "circle of friends", to help SMEs to finance loans and reach borrowing information symmetry between the two parties, significantly easing lending difficulties for SMEs. In the background of financing difficulties of SMEs, including narrow financing channels, and high cost of financing, the main thrust of this platform aimed at small and medium-sized enterprises. The platform innovatively construct inter enterprise loan financing bridge, helping enterprises to solve the credit problems, while at the same time open blue ocean market, its value is obviously. Our team's goal is to build the first circle of friends to connect enterprise and financial institutions, regulate the lending of small and medium-sized enterprises, and maintain the market order for the vision. We have high degree of unity team, clear objectives, and strong strain capability. Constructing the platform into the first mature SME financing partner circle is to seize the opportunities that the market does not have this type of platform before.





In the future, Smart P&L to reach cooperation intention with the existing plan, such as Alibaba, sharing information with these companies, or relying on e-commerce platform to quickly complete business group construction. When the platform is used in the SMEs lending market, it will greatly improve the company's profit.

3.2 Rareness issues

The uniqueness of Smart P&L is to establish the partnership circle, build a platform for related enterprises to contact. Enterprise publishes credit information among the mutual related enterprises, which helps enterprises to avoid information leakage, control risk, and promote the development of supply chain finance. In the current SMEs lending market, although there are many platforms, but most of them only helps in P2F transection. Smart P&L pioneers in establishing partnerships circle, monitoring lending transactions between the two parties, providing more closely related sources of funding, while laying a solid foundation for information consensus in partnerships circle. We will be the first one to enter the cyber market of SMEs loans and supply chain finance, seize the market opportunity and become a rare member of the enterprise financing platform. In addition, our sharp market decision-making ability, delicate business mechanism, intellectual customer information analysis are powerful core resources.





3.3 Inimitability issues

Smart P&L pioneers the circle of friends borrowing, the strong technology is what it is distinguished from other companies. The patent of mature system applications in the future is an important guarantee for it to be difficult to imitate. However, the establishment of related enterprises internal financing platform is easily copied by other borrowing platforms, and the advantage of imitation is not strong. Powerful backstage system and perfect mechanism are the important guarantee of the platform's operation. Other financing platform has made certain achievements in the field of P2F, they have already accumulated some experience, and their technology is more mature and stable, which are what our platform should learn from. With the higher requirements of innovation and technology, both lenders and borrowers pay more attention to the third parties' ability to reducing the cost of information disclosure and control moral risks. Smart P&L operates transactions in "friends circle", while using cutting-edge technology, and effectively solves the problem of trust in business lending. Therefore, our platform has inimitable advantage of technology, but still need to grow in the aspect of practical experience and stability.





3.4 Organization issues

Our company has set up financial research department, business planning department, technology research and development department, propaganda department and other departments. The combination of function type organization structure and matrix type organization structure is an important guarantee for the efficient operation of the company. Since it's in the initial period, it still need some time to digging out market potential and help consumers to accept our new products, but the combination of performance and salary incentive helps to encourage innovative talents and improve competitiveness. In addition, Smart P&L plans to corporates with existing e-commerce platform, such as the Alibaba, to share information with these companies, or complete the construction of community business, which is more conducive to the realization of effective control of information asymmetry with existing resources and mechanisms.





3.5 Estimation of market size

According to the financial information released by the Bank of China in 2010, the total amount of short-term loans of 742.48 billion yuan was distributed by the end of 2009, of which the private enterprises and individual loans were 105.9 billion yuan, accounting for only 1.43% .Therefore, the indirect financing of small and medium enterprises is severely underfunded. In addition, according to the 2013 National Information Center data, 81% of the enterprise's liquidity cannot meet the demand, 60.5% of the enterprises cannot get medium and long-term loans. This also reflects the huge gap in SME financing. As the number of registered SMEs and self-employed in China in 2017 has exceeded 50 million, we have conservatively estimated that the scale of financing for SMEs in China should reach more than 500 billion yuan and will continue to increase.





4. Development and Promotion Tactics

According to the analysis of the industry and market environment, and at the same time, with the expected development trend in the next 5 years and the team's own development capabilities, we will make a "three steps" strategic plan for the future development of the company:

The first stage is to improve the product model, expand the market share, improve the accuracy of data processing and analysis system as the main objective, and build a solid service quality foundation and user base for the company's development; The second stage mainly focuses on deepening the main business, further strengthening cooperation with banks and other financial institutions, and taking various strategies to increase user stickiness, and actively developing strategic cooperative partners; The third stage will be combined with the company's cumulative competitive advantages, on the basis of concentric diversification tactic, developing other related financial services such as insurance, funds, equity financing and so on, to provide a safe, high-quality and multiple experiential financial services platform for users. The following will be based on the "three steps" development strategy planning, concretely expounding the main content of each stage.

4.1 The first stage (from 2018 to 2019)

The first stage of the company is in the start-up period. According to statistics, there are fewer competitors, products and services are in the import market, this stage is the best time to capture the market. The company should perfect products and services, improve service quality, expand market share, making them as the main tasks. Focusing on the marketing goals, the company should pay more attention on disseminating Smart p&l to cooperative financial institutions and the small and medium-sized enterprises managers, and establishing the company's brand.





4.1.1 Business scope

Providing a third party intermediary service platform for inter enterprise lending business and mutual guarantee business, financial institutions lending business, enterprise and other enterprises or related financial institutions' credit transaction.

4.1.2 Business level

Information dissemination between financial institutions and small and medium-sized customers; SME financial lending products advisory; third party cooperation promotion platform.

4.1.3 Strategic objective

- (1) Prior to January 2018, Smart P&L formally launches on the Internet platform;
- (2) In 2018 June, the number of Smart P&L registered users reaches 100 thousand, more than 30% active users, initially covering Guangzhou and the main surrounding cities of Pearl River Delta, and reaches a cooperation agreement with more than 10 financial institutions as well as launching a business docking pilot.
- (3) By the end of 2018, the number of platform registered users reaches more than 200 thousand, the percentage of active users has better keep. The company increases the number of outlets in the financial institutions of cooperation, at the same time, further deepens the business docking with financial institutions, and continuously improves the safety, stability and flexibility of products. Combined with user feedback, the company improves the service system and function line of the platform;
- (4) Improving the company's internal management operations, including a series of technical researches , product innovation, organization management and marketing promotion system;





(5) Smart P&L improves the company's business model, achieves profitability and maintains high profit growth, establishing a brand image.

4.1.4 Strategic planning

(1) Constantly improving the internal system of the company.

According to the nature of the task and personnel requirements of different tasks, establishing and developing management, technology and promotion teams to meet the expansion and development of the company's scale; making proper recruitment on campus to enrich the human capital of the company.

(2) Initially establishing company brand.

From its inception, the company should have brand awareness. According to their own competitive advantages, combined with the user's feedback, the company should establish, cultivate, and operate their own brand. Through the accumulation of time, laying a solid foundation for the later when the brand becomes bigger and stronger.

(3) Taking Guangdong as the primary strategic development market.

The Pearl River Delta region of Guangdong lies to Hong Kong and Macao, with Guangzhou, Shenzhen and other big cities which have highly developed financial industry and the Internet industry, as well as entrepreneurial atmosphere and a comparatively perfect support system. They also have a large number of good prospects for the development of small and medium-sized enterprises, and is good for the development of Internet banking.





(4) Improving the accuracy of the analysis system.

The company was founded at the beginning of the product analysis system is not mature enough. In order to meet the needs of the rapid expansion of products, the company should focus on the research of analysis system, using scientific methods to optimize the system and improve the accuracy of financial institutions, to provide more accurate information for the economic situation of small and medium-sized enterprises, and to better promote the development of loan business.

(5) Seeking more profitable ways and adjusting business models.

As the development of the early start-up companies, diversity of profit model is helpful to improve the development potential of the company. While the initial Smart p&l is committed to service debt financing transactions of small and medium-sized enterprises, the main source of profit is the intermediary costs as well as some advertising fees. Not a single profit model will inevitably become the company's day after long-term development mode, so the company need to explore a diversified business development model of sustainable development in this period.





4.2 The second stage (from 2020 to 2021)

After the initial promotion, the product has a certain user base and the reputation of the industry, the market followers begins to appear; at the same time, many competitors have begun to enter the market. Therefore, the main task of the stage is to continue to deepen business cooperation with financial institutions and the development of enterprise strategic partners, establishing strategic alliance; on the other hand for the platform users, to improve user stickiness through a variety of strategies, and to accelerate the expansion of user groups. Based on these two tasks as the focus, to further establish the company's brand image and enhance the core competitiveness of the company. In addition, starting business units for financial services of small and medium-sized enterprises, expanding the size of the user base and capital flow, broadening the scope of the company's business, and enhancing the profitability of the company.

4.2.1 Business scope

SME financial lending business information dissemination and analysis; SME financial loan project recommendation; SME financing depth consulting; user database resources development and business applications.

4.2.2 Business level

The dissemination of information between financial institutions and small and medium-sized enterprise customers; finance product consultation; strategic partner financial institutions; small and medium-sized enterprise users' personal financing platform.

4.2.3 Strategic objective

(1) By June 2020, the number of Smart P&L registered users reaches 800 thousand, and the operation model in Guangdong is copied to the other provinces in Southern China areas. The strategic cooperation with financial institutions is strengthened, user stickiness is enhanced and the corporate brand image is enhanced too;





(2) By June 2021, the number of users reaches 1 million, and reaches collaboration with more than 50 financial institutions. With the analysis of the advantages of the system, the company deepens the service content, to further provide intermediary communication, enterprise information management, loan guarantees and other services, bringing a quality experience for small and medium-sized enterprise users;

(3) The company takes a variety of strategies to enhance user stickiness, carrying out various forms of online activities, to form the interaction between the users and the enterprises and expand network; and the profits reach 500 thousand, with a profit growth rate remaining above 20%;

(4) The company tries to introduce consumer ports related to the enterprise, to expand the sources of funds, and explores innovative ways of business cooperation and business models.

4.2.4 Strategic planning

(1) Deepening core business development, forming regional strategic layout.

The core business of Smart P&L is to provide services of intermediary nature for the debt financing for small and medium sized enterprises and guarantee transaction between enterprises, promoting the reach of business between the enterprise to guarantee bank loans and business loans. In the second stage of development, on the one hand the company should set up a good reconstruction of business promotion team, increasing the number of financial institutions for cooperation, expanding the scale of business lending and broadening the financing space of small and medium sized enterprises; on the other hand, the company should build a marketing team for the construction of customer relationship management to improve user stickiness. As for the regional aspect, the company should focus on the strategic layout in Southern China area, making the Pearl River Delta as the center, to form a radiating network covering the Southern China area.





(2)Developing strategic cooperation and constructing competition barrier.

Because the platform gradually turns to “development - mature” stage of the life cycle of the products, in order to protect the advantages of our market position and for the consideration of the future development, this stage should make full use of the advanced technology, rich database resources and a vast user base, and gradually form a strategic partnership with banks and other financial institutions, creating synergies, to build strong barriers to competition.

(3)Deeply researching financial borrowing demand of SME.

Forming independent business group, doing further exploration of space for the future development of the company, and deeply learning the changing trend of the demand of financial services of small and medium-sized enterprises. Using the existing cooperation mechanisms with other financial institutions, the company should try to increase the consumer port, to expand lending sources of funding and perfect docking link of needs and services.

4.3 The third stage (after 2021)

In this stage, the development of the company has a certain size, business model, technology development, and the company management system are relatively mature, with a certain brand influence in the financial sector. In view of a single business unit development space limit, the company should follow the concentric diversification strategy, enterprise accumulated resources, develop diversified business, and enter other areas in addition to business borrowing abroad in the financial industry.





4.3.1 Business scope

SME financial lending business information dissemination and analysis; SME financial loan project recommendation; SME financing depth consulting; user database resources development and business applications.

4.3.2 Business level

Strategic partners with financial institutions; a full range of funds lending service center for SME users.

4.3.3 Strategic objective

(1) By the end of 2022, the number of users of Smart P&L reaches 1.5 million, and the active users remain above 30%. The service network covers all major cities in China, and gradually develops business to the three tier cities;

(2) Fit the investment and financing needs of small and medium enterprises in the new era, the company develops comprehensive finance service center for small and medium-sized enterprises, realizing Integration, quality and personalization of investment and financing of small and medium-sized enterprises, providing a full range of financial credit and one-stop service, and becoming influential financial service providers;

(3) The consumer financing port system has entered a stage of improvement and development, highlighting financial services such as mutual aid and investment.





4.3.4 Strategic planning

- (1) Improving operation mechanism and accelerating diversification process.

Making use of business cooperation with strategic partners, gradually developing other financial areas in the financial lending business, such as the attempt of equity financing form except fund financing form , and accelerating the process of diversification of their own.

- (2) Building brand core advantage.

In order to achieve the company's rapid development, the company need to build the core strengths and core competitiveness of the brand, thereby enhancing customer loyalty, and designing higher access and imitation barriers for potential competitors in the industry.

- (3) Exploring the field of comprehensive innovation.

The company hopes to develop more time - bound technologies, so the R & D department needs to keep up with the times and is ready to explore a comprehensive field of innovation

