Research on the Characteristics and Development Trends of Direct Bank Operation Mode of Small and Medium Commercial Banks

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Abstract. Direct banking is a development model for commercial banks to respond to the impact of various financial platforms in the development of the Internet, and it is showing emerging vitality in my country. However, the current development of domestic direct selling banks has problems such as relatively single business operations and serious product homogeneity\textsuperscript{[1]}. Direct selling banks are still a part of traditional commercial banks, lacking independence, precise positioning and lack of distinctive services; in order to find more suitable domestic. The operation model of direct selling bank development reduces the development gap with foreign direct selling banks and expands the customer base. This article understands the future development trend of direct selling banks and can make relevant response policies.

1. Introduction

With the development of the Internet, traditional commercial banks have been impacted by third-party payment platforms and Internet companies. Traditional commercial banks need to find a new development model. Direct banks that provide customers with financial products and services based on the Internet have become commercial banks. An important development model for banks. Direct selling banks have already developed quite maturely in European and American countries. Although many banks in my country have established direct selling banks on the Internet, only a few direct selling banks have their own characteristics, and many direct selling banks are still in an exploratory mode\textsuperscript{[2]}.

Foreign scholars have done research on direct selling banks earlier. In 2008, "ING DIRECT; Nation's Largest Direct Bank, Enhances Security for Online Customers with New Fraud Prevention Software" introduced the Trusteer Rapport method to help direct selling banks protect customers account security. The safety of funds increases the confidence of customers in direct banking. In the article "ING Direct Usa; ING DIRECT Provides Educational Tools for Children Served by Food Bank of Delaware" in 2011, an American direct selling bank launched the "Orange Donation Day" project to provide services for children. Georgios Marinakos (2017) analyzes the potential customers of commercial banks, which is conducive to direct banking to better target customers and promote the sales of direct banking products. my country's research on direct selling banks started late, but the research is relatively comprehensive. He Kaiyun (2017), Yang Yongjin, etc. (2018), Gao Jingyan (2018) analyzed the status, advantages and prospects of direct selling banks; Tao Chang (2019), Fang Shuting (2019) compared the development of direct selling banks at home and abroad; Luo Yong (2019) and Tianbian (2019) analyzed the successful cases of domestic direct selling banks and put forward suggestions for the development of direct selling banks.
After introducing the operation model and development trend of direct selling banks, this article analyzes the advantages and disadvantages of the development of direct selling banks based on the current situation of direct selling banks in China, and provides ideas for the development of other direct selling banks by specifically discussing the development of several direct selling banks[3].

2. Development Trend of Direct Banking of Domestic Small and Medium Commercial Banks

2.1. Integrate Resources to Form Advantages

Different commercial banks have different positioning of direct selling banks due to their different geographical locations and resource advantages. Direct selling banks can attract customers by turning the existing resources of the parent bank into online advantages[4]. For example, if the parent bank's big data development is relatively advanced, direct selling banks can analyze customer data to design financial products that meet the potential needs of customers, and increase competitiveness through financial product innovation.

2.2. Emphasize Independence and Focus on Independent Brand Building

Due to domestic policy restrictions, it is difficult to issue direct-selling bank licenses. Most domestic direct-selling banks exist in the form of business units and have not yet been able to achieve independent operations[5]. This has also led to direct-selling banks endorsing the creditworthiness of their parent bank. Commit together. Through independent branding, direct selling banks can bear their own risks, boldly carry out business innovations, and create distinctive direct selling banks.

2.3. Strengthen Cooperation with Third Parties and Expand Channels

Strengthen cooperation with third parties to expand channels and provide special services to improve consumer experience[6]. Since direct banks cooperate with third parties, the collection of customer data is more comprehensive. Commercial banks can use Internet technologies such as big data and cloud computing to organize and aggregate customer information collected online and offline, and pay full attention to big data information outside the Internet to establish and improve their own customer database. In order to provide services flexibly, accurately and quickly, we can better meet the various financial needs of our customers.

2.4. Establish a Mobile Integrated Financial Service Platform

Direct banking can increase customer loyalty by creating a mobile integrated financial service platform, thereby increasing customer loyalty. On the client side, use the rich resources of individual and corporate customers of the bank to study the financial and non-financial needs of businessmen, enterprises and consumers more deeply on the platform; in terms of products, banks, peers, non-bank financial institutions and other companies Fully integrated together[7]. As a third-party independent platform, direct banking is responsible for matching needs and matching transactions.

3. Domestic Experience in Direct Banking Operations of Small and Medium Commercial Banks

3.1. The Main Experience of Developing a Relatively Leading Direct Selling Bank

3.1.1. Precise Positioning and Resource Integration of Jiangsu Bank Direct Bank

Jiangsu Bank Direct Bank stands out among many direct banks. First of all, it found its own
position at the beginning of its establishment and determined its target population. In addition, the Bank of Jiangsu Direct Bank gave it great independence from its parent bank, Bank of Jiangsu at the beginning of its development, which enabled the Bank of Jiangsu Direct Bank to have strong autonomy in business decision-making and operating models\[8\]. Finally, the Bank of Jiangsu Direct Bank attaches great importance to innovation and product services in its development. In addition, the Bank of Jiangsu Direct Bank adheres to platformization while emphasizing openness, taking the road of self-construction and joint operation, focusing on building platforms, integrating scenarios, and continuously launching applications suitable for customers. Cooperate with funds, other banks, etc., and strive to form its own ecosystem of Bank of Jiangsu Direct Bank. Through continuous provision of financial products and services suitable for customer needs, the unique competitiveness of Bank of Jiangsu Direct Bank has been formed, and the development of Bank of Jiangsu Direct Bank has also become better and better.

3.1.2. Minsheng Bank, an Innovative Direct Bank

Minsheng Bank Direct Bank is the first direct-selling bank in China. Its development results are obvious to all. Minsheng Bank Direct Bank has introduced "ABC" (artificial intelligence, big data, cloud computing) technology to obtain demand through open scenarios and help banks find business entry In order to drive the bank to adapt to the new economic model and ultimately transform the bank’s services.” Minsheng Bank’s direct bank continuously innovates its own financial services and models, and digs into customer needs, forming a distinctive image of Minsheng Bank’s direct bank If it is said that Jiangsu Bank Direct Bank mainly forms its own ecosystem to attract customers and increase customer stickiness, then Minsheng Bank Direct Bank mainly acquires customers through continuous innovation in financial services\[9\].

3.1.3. Industrial Bank Direct Banking that Values Customer Experience

Take the Industrial Bank Direct Bank as an example. The Industrial Bank Direct Bank, which enjoys the reputation of "Wealth Express", is also a relatively prominent bank among the existing direct banks in China. Industrial Bank Direct Bank provides customers with a variety of investment and wealth management products with stable returns, and cooperates with other banks to greatly improve customer use effects. As a well-developed direct selling bank in China, the Industrial Bank direct selling bank has formed its own characteristics in the existing direct selling bank by continuously launching financial products and innovations to cater to the needs of customers.

3.2. Reflections on the Experience of a Relatively Lagging Direct Selling Bank

The above three direct selling banks have formed their own characteristics in different aspects and have certain irreplaceability. However, the Bank of Beijing Direct Bank failed to identify its position at the beginning of its development. Although it has existed for several years, its development is still stagnant. At present, it still relies on Bank of Beijing and serves only as an online APP of Bank of Beijing. It is also based on the existing customers of Bank of Beijing and lacks independence. Internet finance is a general trend of future development. If Bank of Beijing wants to increase customers and obtain more profits, it must vigorously develop direct banking and make full use of the existing regional and resource advantages of Bank of Beijing.

3.3. Summary of the Development of Direct Selling Banks in My Country

From the above-mentioned four banks, we can see that the current situation of my country’s direct selling banks is that the better-developed direct selling banks have a clearer positioning of
themselves, have found a customer group suitable for direct selling banks, and have formed their own characteristics with high independence, strong competitiveness, and poorly developed banks mostly do not separate direct selling banks from their parent banks. Most of their customers are from the parent bank’s customers and lack innovation in the financial products and services of direct selling banks. The future development trend of direct selling banks is to find the correct positioning and find suitable customer groups, while at the same time innovating the financial products and services of direct selling banks and forming their own characteristics, in order to realize the long-term development of direct selling banks.

4. Policy Recommendations to Promote the Development of Direct Banking of Small and Medium Commercial Banks

4.1. Improve the Supervision System of Direct Selling Banks

The government can further improve the supervision system of direct selling banks through the issuance of policies, establish a special department to supervise the operation of direct selling banks, reduce credit risks, and increase consumers' trust in direct selling banks. In addition, the development of direct selling banks is still in the exploratory stage. The homogeneity of many direct selling banks' products is relatively serious. The government should provide commercial bank policy subsidies for direct selling banks that vigorously develop and successfully achieve financial product and service innovation, and encourage direct selling. Banking innovation.

4.2. Improve the Entry Barriers for Direct Banking

At present, domestic direct selling banks are mainly operated by the business unit of the parent bank and have not yet achieved independent operation. The entry threshold of direct selling banks is not clear, and it is difficult to obtain an operating license. The government can formulate operating standards for direct selling banks by summarizing the development of domestic direct selling banks, and by granting operating licenses to direct selling banks that have achieved good operations and have no losses for two to three years. And by formulating the entry threshold for direct selling banks, promote the healthy development of direct selling banks.

4.3. Attaches Great Importance to the Development of Direct Banking Business

Direct banking can improve the innovation of financial products, enrich product content, and increase the competitiveness of direct banking. At the same time, direct selling banks should attach great importance to customer needs, use big data to analyze customer data, understand the potential needs of customers, and implement or improve financial products in a timely manner. In addition, direct selling banks can improve their own account security system to ensure the safety of customer fund transactions and increase customers' trust in direct selling banks.

4.4. Refine the Customer Group and Formulate Strategies Based on the Target Customer Group

Direct sales banks can determine and refine customer groups, formulate strategies based on the needs of target customer groups, cater to the needs of customer groups in the design of product content, and stay close to the lives of customer groups during product promotion. Direct sales banks serve the customer groups. Cater to its needs. At the same time, the establishment of a brand image with its own characteristics of direct selling banks will help distinguish direct selling banks from other banks and increase the competitiveness of direct selling banks.
References


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