

# Strategic Research of Supply Chain Finance of Postal Saving Bank of China Based On SPACE

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**Abstract**— The article rise the question from the background of the economic transformation and the difficult survival of small and medium enterprises. In the premise of considering the current situation of financial competition, environment and industry analysis, the article will analyze the status and problems of China Postal Saving Bank. In order to take a strategic analysis and put forward specific implementation measures to supply chain finance of Postal Saving Bank by SPACE analysis, combined with SWOT analysis.

**Index Terms**—China Postal Saving Bank, Supply Chain Finance, SPACE Analysis, SWOT Analysis, Strategic Research

## I. INTRODUCTION

Facing the competition of the new financial services, such as Ant Financial, Tenpay and WeChat payment, commercial banks are facing the challenge of the old business fading and the lack of new business. Supply chain finance is a financial innovation solution to provide financial products and services for the enterprises in the supply chain, which realizes the effective implementation of the business flow, logistics, capital flow and information flow of four flow<sup>[1]</sup>. It will help improve the quality of bank's services and increase revenues, thus becomes the new battlefield of commercial banks. Postal Saving has multitudinous branches, a large customer base, and adequate savings balance<sup>[2]</sup>. But its business is single and homogeneous, so it is in urgent need of new business development in order to solve the problem and improve the status.

With the help of SPACE analysis, the article analyzes the strategy of supply chain finance from both qualitative and quantitative analysis, providing a new way for the development of supply chain finance of China Postal Saving.

## II. SPACE ANALYSIS

SPACE analysis is a strategic direction selection tool, which overcomes the shortcomings of the quantitative SWOT analysis. The axis of a plane is divided into 4 quadrants. The two horizontal axis in X axis represents industrial advantage (IS) and competitive advantage (CA). Y axis represents a financial advantage (FS) and environmental stability(ES).

Through the use of four-dimensional coordinate evaluation, determine the strategic position of the enterprise,

so as to make a strategic decision for enterprise development<sup>[3]</sup>.

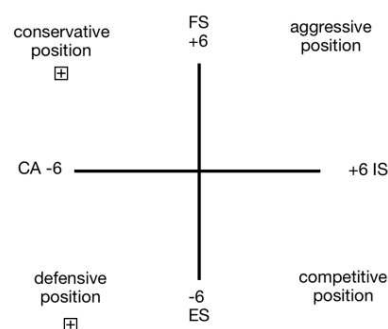


Figure 1 SPACE Matrix diagram

The steps of SPACE analysis are as follows [4]:

1. Select a set of variables that constitute financial advantage (FS), competitive advantage (CA), environmental stability (ES), and industrial advantage (IS);
2. Give the +1 (worst) to the +6 (best) score to pairs of variables that make up the IS and FS axes, while give the -1 (best) to the -6 (worst) score to the variables that make up the CA and ES axes;
3. Add the score of each axis of all variables together, then divided by the number of variables in each axis. Hence get the average score of FS, CA, IS and ES respectively and mark in their respective axis;
4. Add the IS index value and the CA index value on the X axis together, and mark the result on the X axis. Add the FS index value and the ES index value on the Y axis together, and mark the result on the Y axis. Then mark point (x, y);
5. Draw a vector from the origin point of SPACE matrix to (x, y). The vector shows that the enterprise can adopt aggressive, competitive, defensive or conservative development strategy types (Figure 1).

## III. DEVELOPMENT STRATEGY OF SUPPLY CHAIN FINANCE OF POSTAL SAVING BANK BASED ON SPACE ANALYSIS

### A. Basic situation of Postal Saving Bank

Postal Saving Bank is China's leading large retail bank , whose establishment is fully funded by China Postal Group , implementing the management mode of “ general and branch system”<sup>[5]</sup>. It implements the first grade legal person system, operating independently, assuming sole responsibility for profits and losses, undertaking risks independently and carrying out independent accounting. In the "Global Bank 1000 Ranking" in 2016, China Postal

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Saving ranked twenty-second in total assets [6]. Currently, it has nearly 40 thousand branches, whose network density is significantly higher than the four major state-owned banks. It serves 522 million individual clients and is the largest commercial bank [7] with the largest network, the most extensive coverage and the largest number of customer in China. By the end of 2016, the assets of Postal Saving Bank reached 8 trillion and 270 billion yuan, a 13.28 percent year-on-year growth. Its net profit was 39.78 billion yuan, a 14.11 percent year-on-year growth. And its non-performing loan ratio is 0.87%, which is better than the average of banking industry. In a word, China Postal Saving has significant advantages in the distribution of outlets, assets, savings balance, non-performing loan ratio and so on.

**B. SWOT Analysis of Supply Chain Finance of Postal Saving Bank**

In order to make a clearer analysis of the development of supply chain finance of China Postal Saving, the article takes

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• High savings levels and strong financial strength</li> <li>• Property of state-owned enterprises, service reputation of communities, small and medium-sized enterprises and the agriculture, rural areas and farmers</li> <li>• Supporting in logistics and supervision by Postal Express Logistics of Postal Group</li> <li>• High branches coverage rate, large service population, and rich customer base of SMEs</li> </ul>
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Aging products and services, low innovation, inadequate operating capacity</li> <li>• Backward management mode, confused management system, and insufficient control force of township branches</li> <li>• Low talent quality which is not enough to support its development plan, weak awareness of brand, risk and competition</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• National policy support and the great demand of economic transformation for supply chain finance</li> <li>• Constant emerging of Internet banking, mobile banking and other technological innovations</li> <li>• Strong financing demand and difficult financing situation of SMEs</li> <li>• Initial development stage of the industry, unstable situation makes it easier to form a competitive advantage</li> </ul>
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Fierce competition that financial institutions, core enterprises and logistics companies have been trying to launch supply chain finance</li> <li>• In the initial development stage of the industry with inadequate support and big risks</li> <li>• High investment demand in early stage, meaning higher demand for human, financial and material, and great risk of innovation</li> </ul>

a brief analysis of the key strengths, weaknesses, opportunities and threats of China Postal Saving according to SWOT analysis theory. The results are as follows.

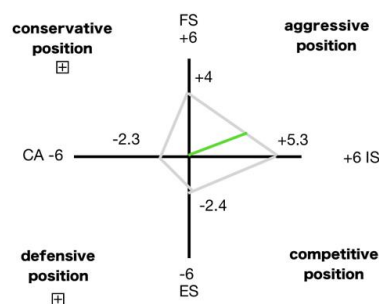
**C. SPACE Analysis And Strategic Choice of Supply Chain Finance of Postal Saving Bank**

After qualitative SWOT analysis, the SPACE matrix should be used to make a deeper quantitative analysis of finance, competition, environment and industry. The article obtained the following SPACE analysis results [8] by selecting a series of indicators, based on the 2016 annual report of

Postal Saving Bank and 16 listed banks [9].The results are as follows.

FS	Gains on investments	+3
	Leverage ratio	+3
	Debt paying ability	+3
	Floating capital	+4
	Quitting markets convenience	+5
	Business risk	+6
	Average	+4
ES	Technological change	-3
	Inflation	-2
	Demand variability	-2
	Price range of competing products	-2
	Market entry barriers	-2
	Competitive pressure	-3
	Price demand elasticity	-3
	Average	-2.4
CA	Market share	-2
	Product quality	-3
	Product life cycle	-1
	Customer loyalty	-2
	Competitive capacity utilization	-3
	Proprietary technology and knowledge	-3
	Control of suppliers and distributors	-2
	Average	-2.3
IS	Growth potential	+6
	Profitability	+5
	Financial stability	+5
	Proprietary technology and knowledge	+5
	Resource utilization	+6
	Capital intensive	+5
	Entering market convenience	+5
	Average	+5.3

X axis  $5.25-2.29=2.96$  Y axis  $4-2.43=1.57$   
 Intersection point (3.11, 1.57)



As shown in the picture, Postal Saving Bank should choose an aggressive strategy of supply chain finance.

#### IV. MEASURES

1. *Make a full use of the relationship with Postal Express Logistics.* Postal Saving Bank and Postal Express Logistics have a natural advantage in sharing information, convenience and economy of platform building, confidence building and risk prevention. Secondly, the cooperation between the two sides can also collect customer resources together and increase the service depth, and strengthen the customer's dependence on the two, which helps to ensure steady growth of customers.

2. *Strengthen the ability of information technology and platform ability building.* Supply chain finance platform capacity of Postal Saving Bank at present is not enough to meet the demand of the supply chain financial services horizontal and vertical development, a gradual increase of customer number and the current system connection of Postal Saving Bank and Postal Express Logistics. Therefore, it haven't achieve "Four streams in one".

3. *Pay attention to product innovation and service upgrading.* At present, supply chain financial products and service of Postal Saving Bank is basic and its model is simple. Although there is a definite market positioning, but product design and market positioning is not completely fit it. Therefore, Postal Saving Bank needs to tap the target customer pain point and customer demand, design products and services according to the supply chain characteristics to form high stickiness and high quality customer resourceSs.

4. *Quote "1+N" mode<sup>[10]</sup>, exert the control power of core enterprise and the resultant force of small and medium-sized enterprises.* Owing to the particularity of nature and customers, Postal Saving Bank has accumulated numerous strategic partners in the process of development. It can integrate the entire supply chain into its services by building a deep partnership with the core enterprise. Another approach is to exert the joint efforts of small and medium-sized enterprises in the supply chain, by establishing the business relations with them to force core enterprises to participate in its supply chain financial system.

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