

Research on the Brokerage Business Transformation of Securities Companies under the Background of Internet Finance

-- Taking Guotai Junan Securities as an Example

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Abstract

With the rapid development of Internet technology, people's lives are also changing, and Internet technology has penetrated into people's lives. Securities companies are an important part of the securities industry. If you want to take advantage of the situation, you must first understand how to change. The securities brokerage business is the focus of the development of securities companies, so the optimization and upgrading of the brokerage business is the main direction. The traditional business model is no longer applicable to the present. At this stage, securities companies need to integrate Internet technology with traditional businesses, use the Internet platform to achieve an improvement and perfection, and transform into Internet finance. This article takes Guotai Junan as the main body and conducts in-depth exploration of it, hoping to play a certain reference role for the development of other securities companies in the same industry.

Keywords

Internet Finance; Business Transformation; Guotai Junan.

1. Introduction

At this stage, Internet technology has entered people's lives and brought tremendous changes to their lives. Therefore, people are becoming more and more dependent on Internet technology. Securities companies are gradually moving closer to the Internet and operating their businesses through Internet platforms. Therefore, securities companies can no longer be complacent and need to take advantage of the trend and integrate traditional businesses with the Internet to achieve business optimization and promotion.

2. The Development Status of My Country's Securities Company Brokerage Business under the Background of the Internet

2.1. Internet Finance

2.1.1. Internet Finance Concept

Internet finance simply connects the Internet and finance to produce new products. The essence is to explore how to build a more complete financial ecosystem under the background of the Internet, which has the characteristics of timeliness and phases. Internet finance has innovated the form of payment and improved the allocation of resources.

2.1.2. Characteristics of the Internet

Internet finance has the characteristics of convenience, low cost, and openness. This allows Internet finance to quickly collect customer information, and on this basis, it can carry out precise marketing and provide customers with individual services and assistance. (1) Transaction information is relatively symmetrical. The existence of Internet finance enables

financial institutions and customers to grasp each other's information in a timely manner, which not only saves input costs, but also increases transaction efficiency. (2) Construct a one-to-one mode of buying and selling. Internet finance implements a one-to-one platform trading model, and customers and financial institutions can conduct in-depth communication according to their own needs and conditions. Under the impetus of Internet technology, the intermediary of traditional capital will be replaced by the existing Internet platform, realizing a modern transformation of the financial system. (3) High risk and safety requirements. The use of Internet technology can reduce the cost of investment, and improve the efficiency in the transaction, increasing the economic benefits that can be obtained in the transaction. (4) Strong data mining ability. Information data has become an important strategic resource, and data mining technology can carry out systematic and in-depth exploration of information and is an important financial tool.

2.2. Status Quo of the Development of Brokerage Business of Securities Companies

2.2.1. Securities Company Brokerage Business Concept

The essence of the securities brokerage business is to help clients manage their assets and put the clients' entrustment in place, so that the assets can increase and maintain their value.

2.2.2. The Current Situation of Brokerage Business of My Country's Securities Companies

The proportion of brokerage business income declined. In the eight years from 2012 to 2019, the net income of brokerage securities trading in my country's securities industry rose from 50.407 billion yuan to 78.763 billion yuan, showing an upward trend. Operating income showed a rapid rise, but the brokerage business income has entered a stagnant stage. Brokerage business depends on market changes. Before 2017, the revenue of domestic securities firms mainly came from the brokerage business. According to industry data, it can be known that the revenue of self-operated business in 2017 exceeded that of the brokerage business for the first time.

Commissions are showing a downward trend. Internet technology is merging with traditional finance, and Internet finance has emerged as the times require. Thus appeared Internet products and services. The form of securities trading has gradually changed from traditional offline trading to mobile clients. The commission rate of the securities industry dropped from 0.081% in 2012 to 0.0349% in 2019.

3. Development Status of Guotai Junan Securities Brokerage Business

3.1. Introduction to Guotai Junan Securities

Guotai Junan Securities was born in the late 1990s and is characterized by large scale, long-term sustainability and overall leadership. The company was successfully listed in July 2010, and its stock code is 601211. The comprehensive strength of Guotai Junan Securities ranks among the best in the securities industry, and it has a place in the financial front-end market. It is positioned as a comprehensive financial service provider that provides multiple forms of financial services to individuals and institutions. It can be seen from the previous ten years that Guotai Junan's operating income has steadily increased, maintaining a position within six in the securities industry.

3.2. Analysis of the Development Status of Guotai Junan Securities Brokerage Business

3.2.1. Guotai Junan Securities Brokerage Business Development Status

(1) Institutional brokerage business

Institutional brokerage business is currently one of the key development directions of Guotai Junan. In the first half of 2020, the development of securities companies was relatively stable. Benefited from the market operations in the first half of the year, their performance increased significantly. Based on this situation, the investment intensity of securities firms has continued to increase, and their scientific research capabilities have also improved, resulting in a substantial increase in revenue.

(2) Retail brokerage and wealth management business

Guotai Junan's secondary direction is to take the retail economy business as the industry leader to drive the development of the wealth management business. It continuously promotes the in-depth development of the company's informatization, and highly integrates mobile Internet technology and the securities market. Use the form of online and offline integration to realize the integration of financial technology. Enhance the strength of its own investment research and focus on the wealth management business, so as to realize the transformation to the form of wealth management.

(3) Futures brokerage business

In the first half of 2020, the futures market has achieved good results due to the promotion of the securities market. As a leader among securities firms, Guotai Junan has always focused on the development of financial technology and has continuously increased its investment in information technology. At this stage, Guotai Junan promotes the growth of futures very well, which will enhance the overall strength of the company. The trading volume of Guotai Junan Futures is showing an upward trend, and it has taken a place among the top three in the industry.

(4) International business

Guotai Junan is a leading figure among securities firms, and its overall strength is very strong. Guotai Junan takes the lead in implementing its "going out" strategy. Its business is no longer confined to China, and its coverage abroad is also continuing to expand. Guotai Junan has rapidly promoted its international business, and its affected areas continue to expand, and its coverage groups continue to increase, making it a leading company in the industry.

3.2.2. Competitive Advantages of Guotai Junan

(1) Large scale

The competitive advantage of Guotai Junan is reflected in its scale, which is specifically manifested in the wide coverage of outlets, the large number of business departments, and the large scale of employees. There are 30 branches and more than 360 securities business offices in 29 regions in China, and the number of employees is 15,063.

(2) Good customer base

In addition, Guotai Junan has a good customer base, and its brokerage business has a leading edge among securities companies. Judging from the ranking of stock-based transactions in 2019, Cathay Pacific ranked first with 127,420 billion yuan. In terms of the main business structure, it is mainly based on personal finance, and there is still room for continuous improvement and innovation in its structure field.

(3) Strong comprehensive strength

Its capital power is also quite strong, and all indicators are among the forefront of the industry.

(4) Continuous technological innovation

Technological innovation is very important for a securities company. Guotai Junan implements the "finance+technology" model. With the continuous development of mobile business and Internet technology, Guotai Junan has seized the opportunity to invest heavily in the field of mobile financial management, leading the trend of financial technology, and relying on the existing service system to provide customers with comprehensive portfolio services. Guotai

Junan focuses on customer experience. On the basis of optimizing and updating the original product business, it also strengthens innovation and the introduction of resources.

3.2.3. Competitive Opportunities for Guotai Junan

(1) Rapid development of domestic economy

The domestic economy has developed rapidly in recent years. The GDP in 2019 was 99.08 trillion yuan, an increase of 7.15 trillion yuan compared with the same period last year. People's income rises, living standards improve, and a stable social environment can allow the securities industry to develop in a healthy and stable manner. At the same time, the domestic economic structure is constantly being adjusted, which also brings a good opportunity for Guotai Junan's brokerage business.

(2) Economic globalization

While economic globalization brings uncertain risks to the economy, it also creates opportunities for the domestic financial industry. Opportunities and risks always accompany them. If the government wants to deal with this kind of risk, it must strengthen supply-side reforms and deal with the correlation between risks and growth in a reasonable manner.

3.3. Problems in Guotai Junan Securities Brokerage Business

3.3.1. Problems within Guotai Junan

Guotai Junan's performance is among the best in the industry, but due to the impact of the economic environment, operating income is still declining, and the further development of Guotai Junan has fallen into a bottleneck.

(1) The profit model should be single

In the downturn of the stock market, it is not suitable to use a single profit model, which will affect the future growth of Guotai Junan Securities, and the transformation of the profit model is urgent.

(2) Unbalanced regional development

Guotai Junan has sales outlets all over the country, but there are few large-scale sales outlets and sales channels are insufficient. In addition, the development of different regions is not balanced, which will limit the overall strength of Guotai Junan Securities in the process of improving.

(3) Insufficient innovation in products and services

Although Guotai Junan Securities is bringing diversified services and businesses to its customers, it cannot meet the needs of its customers at this stage. Due to the lack of product differentiation, it is difficult to stand out among many brokerage companies. Failure to make its own brand image an advantage will make Guotai Junan's market competitiveness decline. Investigating the reasons, Guotai Junan Securities is not strong enough in product R&D and innovation, and has not established a complete service system.

3.3.2. The External Problems of Guotai Junan

Under the new economic environment and background, Guotai Junan faces challenges while facing opportunities.

(1) Challenges faced by the country

There are two main challenges facing the country: lower commission rates and fierce industry competition. With the popularization of the mobile Internet, the operating conditions of securities companies have changed. The main revenue of Guotai Junan Securities is provided by the brokerage business, and the commission rate has been reduced, which means that its profits have been reduced accordingly. The average commission rate of the domestic securities industry has been significantly reduced. On the other hand, due to the steady development of the domestic industry, domestic securities firms have gradually increased.

(2) Challenges faced by foreign countries

In the competition with overseas brokers, the competition for talents between foreign brokers and domestic brokers has become increasingly fierce, and foreign brokers are also starting with various domestic high-end customer groups. Foreign-funded companies, relying on their own capital, rich management experience, professional talents, and flexible mechanisms, are entering the Chinese market, and my country's securities industry will be greatly affected.

4. Guotai Junan Securities Brokerage Business Transformation Plan under the Background of Internet Finance

4.1. Develop New Brokerage Business

Internet technology is changing with each passing day, and various industries are also optimizing and upgrading their own informatization level. In this context, Guotai Junan should increase its investment in Internet technology resources to promote the improvement of the technological content of products and services. The platform will realize security monitoring and real-time data, not only to solve security problems, but also to improve and upgrade the system. Securities companies provide customers with differentiated value-added services, which requires differentiated charging standards. Provide other value-added services for high-net-worth customers. Such measures will enable deep exploration of customer value and at the same time prepare for the next precise segmentation of customer groups.

4.2. Promote the Development of Other Businesses

Guotai Junan has gradually transformed from the original channel brokerage model to a wealth management model, urging enterprises to reduce their dependence on channel brokerage and build itself into a multi-level securities company. And in the continuous adjustment and improvement of the capital market, direct financing, mergers and acquisitions and reorganization of securities companies are promoted. Guotai Junan has always been committed to the development and innovation of existing products and service types, actively researching and developing differentiated products, and establishing itself as a comprehensive financial service provider to maximize customer value.

4.3. Create a Boutique Brokerage Model

Guotai Junan uses customer requirements and conditions and investment styles as subdivision credentials, distinguishes various customer groups, and earnestly implements market segmentation. The service capability of a brokerage is linked to the level of investment advisory, which indirectly determines the influence of a brokerage brand. Guotai Junan provides differentiated services to different groups based on the current service system. Focusing on the needs of customers, we help customers realize asset appreciation and preservation, and facilitate the implementation of various tasks.

4.4. Building an Online Financial Platform

The form of marketing should keep pace with the times, innovate in the context of the times, and implement innovation from product-oriented to customer-oriented. Guotai Junan can establish a customer information database to improve the efficiency of business processing and facilitate subsequent business operations. At the same time, it will focus on the development of Internet products and implement online and offline services. And use the platform to achieve real person display, based on this to highlight the three-dimensional online service scene, improve customer experience.

4.5. Combination of Technology and Service

Provide intelligent online services, intelligent customer service to achieve caring services, can effectively help customers solve problems, while saving customers time. Cathay Pacific adopts a combination of technology and service to transform retail. Fully implement intelligence and biometric technology into the work to promote the improvement of the retail service system.

4.6. Improve the Internal Operating System

Diversified business development should pay attention to avoiding risks. Guotai Junan will continue to strengthen customer management and monitor the practice of employees. On the basis of increasing investment, Guotai Junan constantly introduces talents from the inside, strengthens the reserve of relevant talents, establishes a sound system, and promotes the improvement of the company's comprehensive capabilities.

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