

# Research on the Impact of the O2o Internet Finance Model on Commercial Banks and Countermeasures

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**Abstract:** O2O Internet finance industry is showing a rapid development trend. If commercial banks want to move forward steadily in this increasingly changing Internet environment and not be eliminated by history, they must actively innovate to conform to the trend of The Times and seek to help each other while competing to achieve a win-win situation. Therefore, in this context, this paper believes that it is particularly important to explore the development of O2O Internet finance mode, its impact on traditional commercial banks, and the coping strategies of commercial banks.

## 1. Introduction

With the rapid development of Internet technology, the Internet, with its powerful functions, rapidly integrates and penetrates with the financial industry, forming a new financial pattern. With the emergence of third-party payment platforms in China, the inherent pattern between traditional commercial banks has been challenged. Especially since Yu'e Bao came into being, internet financial services have been springing up like mushrooms.

In under the background of intense competition, commercial Banks will inevitably impact the Internet financial and challenges, therefore, for the exploration of development trend of the Internet financial model is particularly important, O2O Internet financial model as an important part of the Internet financial, this model is a very significant impact on commercial Banks, and This paper takes O2O Internet finance model as the research object, explores its development orientation, studies the competitive and cooperative relationship between commercial banks and it, puts forward effective industry development countermeasures and carries out exploration and research centers on the above problems.

## 2. Development Status and Characteristics of the O2O Internet Finance Model

### 2.1 The Concept and Development Status of O2o Internet Finance Model

O2O mode, namely Online to Offline mode, refers to the combination of the Internet and Offline business opportunities to make the Internet into a platform for Offline business. Representative e-commerce modes are Taobao, Jingdong, and so on. In fact, O2O model can be referred to as O2O model if the industrial chain includes both online and offline [1]. The application of the O2O model in the financial industry forms the so-called O2O Internet finance mode, among which Jingdong Finance and Ali Finance are relatively representative.

Due to its strong risk control ability and third-party guarantee cooperation, THE O2O Internet financial model can greatly reduce the overdue risk of the loan subject, thus increasing the possibility of lasting operation of the platform [2].

In 1997, Wang Juntao created the country's first e-commerce website, and the Internet began to develop rapidly in China. In 2013, Didi Dache, Uber, Meituan Takeout, and others developed in succession. Jingdong and Taobao also showed a leap forward development on the original basis. Later, they extended their tentacles into the financial industry and began cross-industry development, applying the Internet to the financial industry. O2O Internet financial platforms such as Yu 'ebao, Ali Xiaodai, Ant Financial, and Jingdong Finance have been formed [3].

## **2.2 Business Model Analysis of Domestic O2o Internet Finance**

In the context of the rapid development of Internet enterprises, Internet financial business has become a major force for economic development. In 2013, the O2O model entered a period of rapid development. Two typical models are given as follows [5]:

Third-party payment is a method of capital settlement and payment by a third-party institution with socially recognized credit to guarantee the buyer and seller through its credit. It usually cooperates with major banks to provide a platform for payment and settlement. Pay treasure to pay is the most typical mode of third-party payment, online deal before, pay treasure to play in the process of payment for both sides behavior constraints, and then online transactions can be achieved, and the third party payment will be charged to buyer, in addition, the third party will pay the network transaction data summed up the consumer preferences, so as to provide consumers with more targeted service, It can also provide data information to businesses to help them improve their products and expand their market share.

With the development of the Internet, O2O online lending can be applied online and signed offline. It could increase the security of funds for lenders and, on the other hand, provide more adequate funding services for lenders.

## **2.3 Characteristics and Positioning of O2o Internet Financial Model**

### **2.3.1 Low Cost, High Output**

O2O Internet financial model based on internet services. It reduces costs by promoting user-friendly payment channels on the web. Driven by the new O2O Internet technology, the financial industry can enjoy the convenience brought by Internet finance at any time and place. At the same time, the O2O Internet financial model has a high degree of information liquidity, which improves the efficiency of capital financing and reduces financing costs.

### **2.3.2 Customer Base is Expanding Day by Day**

O2O Internet financial products continue to improve the innovation and convenience of financial services. Moreover, it provides people with a variety of different financial services and other daily life service experiences, such as daily necessities such as living payments, thus increasing the number of customers. It urges O2O Internet finance enterprises to enhance product improvement and innovation. At the same time, it also promotes the optimization and improvement of the whole model [4].

### **2.3.3 A New Credit Risk Evaluation Mechanism Based on Big Data**

O2O Internet finance belongs to direct financing. Customer's query, select, price, and complete transactions on their own through Internet platforms. Credit is a key factor in all financial transactions. With the development of Internet technology, it can be used to supplement a bank reference system when internet financial customers make online transactions such as traditional bank loans and credit registration as credit evaluation records. This is a credit rating system based on big data and is key to managing O2O financial transactions over the Internet [5].

### **2.3.4 Extensive Customer Coverage, More Universal Benefits**

Mass of the rapid development of the Internet company achievements of China's Internet users, Internet users in the most of spare money is not much, and the traditional commercial Banks usually have a certain limit for investment funds, as a result, some want to invest money, but there is not in conformity with the overall amount of capital Banks require, or want to items that may be mortgaged loan business without customers, Difficult to become a bank customer. But Alibaba, Tencent, and WeChat provide these customers with financial services that traditional commercial banks are unwilling to provide. It has resulted in these clients being able to access comprehensive financial services rather than simply providing deposits yet having difficulty obtaining loans. It also makes up for a gap in the traditional banking sector.

### **2.3.5 Positioning of O2O Internet Finance**

The positioning of O2O Internet finance mode is both online and offline, mainly including online promotion and targeted marketing as a beginning; Based on the application of new technologies such as mobile Internet, cloud computing, and big data; Financial services and consumption, commerce, life closely linked. With the combination of technological advantages, consumption, business, and life scenes, O2O Internet finance has become a powerful force to promote China's economic and financial upgrading.

### **3. Analysis of the Impact of O2o Internet Finance Model on Commercial Banks**

On the positive side, the Internet financial innovation triggered by Internet enterprises provides opportunities for the transformation, upgrading, and diversified development of traditional banks. Firstly, the innovation and development of the financial system will be incorporated into O2O Internet finance to promote financial reform and innovation. After the explosive growth of O2O Internet finance in 2013, traditional commercial banks have improved the construction and improvement of online banking, mobile banking, and other online service channels, facilitated business processing, and provided customers with brand new experience, thus promoting the transformation and development of traditional commercial banks. Secondly, O2O Internet finance makes the competition among financial industries fiercer and further drives the transformation and upgrading of banks, which can better promote the development of the industry. Finally, O2O Internet finance has to a large extent broken through the existing financial system and mechanisms. It increases the process of interest rate marketization, which is an effective way to promote the marketization of financial factors.

On the contrary, O2O Internet finance has the effect of disintermediation, that is, disintermediation, affecting the asset business, liability business, and intermediate business of financial intermediaries [6]. The basic survival of banks deposits, while the Internet financial model led by Yu 'ebao captures funds not covered by banks and develops rapidly, affecting bank deposit business and reducing the deposits of commercial banks. The online lending business in the O2O Internet finance mode is relatively superior in remuneration, which has a serious impact on the development of small and microloans and credit card installment businesses of commercial banks. In addition, card-free payment is the main mode of O2O Internet financial payment. Offline consumers can consume online. In addition, this model can also analyze users' needs and develop more targeted services. The boundary of the financial industry has become blurred with the entry of Internet enterprises, and the standard of access has also been lowered. The competition of cross-industry operations is constantly intensified, especially between banks and non-banks [8].

In the past, as the only bank financial services provider, so dependent on the degree of the bank also is higher, however, with the continuous development of e-commerce, Internet financial also provide financial products for customers, as a result, the participation of the Internet financial shunt not only customers but also the dominant position of the Banks pay settlement.

### **4. Research on Strategies of Commercial Banks to Cope with O2o Internet Finance Mode**

#### **4.1 Accelerating the Transformation and Upgrading of Banks**

O2O Internet financial is playing an increasingly important role in our daily life, the data sharing between commercial Banks and other Banks, but the Internet enterprises with every bank have a data sharing between O2O Internet financial model should is just an Internet financial platform, however, have the possibility of an alternative to commercial Banks. In such a highly competitive environment, commercial banks must actively innovate and develop new ideas, improve their own transformation and upgrading, improve customer self-service channels, plan to incorporate O2O Internet finance mode into their development strategy, and better complete transformation and upgrading [8].

#### **4.2 Vigorously Developing e-Commerce Operations**

Commercial banks should make full use of their own advantages in the field of e-commerce clients to create a multi-functional platform as convenient as the Internet to provide financial products and services, as well as shopping, travel, fee payment, and other functions so that customers can enjoy more convenience brought by the current banks. Commercial banks can also make full use of the mode of coordination and cooperation while developing e-commerce operations and outsource some modules to reduce the cost of an e-commerce operation.

#### **4.3 Strengthen the Win-Win Cooperation with O2o Internet Financial Enterprises**

O2O Internet financial model provides the convenience of daily life is very much, grab the commercial bank customer source, therefore, commercial Banks need to strengthen the cooperation between O2O Internet financial platform, make good use of the Internet companies have an advantage, make up for the inadequacy of their own, and combining its existing advantages, according to customer demand, based on the Internet platform, Faster to provide customers with more personalized and convenient financial services.

#### **4.4 Improve the Application of Big Data to a Strategic Height**

First, commercial banks should take advantage of their strong customer groups to strengthen the integration of customer transaction information, form a large customer database of commercial banks [5], analyze and forecast it, and then innovate products and services. Secondly, through questionnaire survey to grasp customer demand and the development of the financial industry; Finally, it is necessary to introduce professional talents and cultivate interdisciplinary talents with big data processing ability and financial knowledge.

#### **4.5 Build an Independent O2o Internet Finance Department**

In the process of building O2O Internet financial platforms, commercial banks need Internet financial strategic departments to make preliminary preparations for the platform construction, while the original traditional financial services also need to maintain smooth operation. The establishment of the O2O Internet finance strategic department is to confirm the business objectives of Internet finance and to transform and optimize the business process accordingly. In addition, commercial banks also need to apply the existing experience of the existing department to the business process of the new O2O Internet financial platform, so that the department can develop faster and better [9].

#### **4.6 Establish Appropriate Risk Control Departments with O2o Internet Finance Characteristics**

O2O Internet financial model credit approval in a short time, but the chance of non-performing loans is very high, the reason is that the network credit authentication mechanism is not sound, therefore, can be offline evaluation mechanism as evaluation parameters, the online information as auxiliary evaluation information, from two aspects of offline-online to get a more complete evaluation. According to the current situation of Internet financial risks caused by the unique risk preference of the Internet and different Internet risks caused by information technology, an appropriate risk control system of the O2O Internet financial model for commercial banks should be established [10].

#### **4.7 Actively Develop Direct Selling Banks**

Commercial banks need to actively develop direct banks. Electronic devices are the basis on which direct banks rely. Customers' identity authentication, account opening, and follow-up business can be completed quickly through electronic devices if there is a network [7]. At the same time, it is necessary to flatten the relationship between customers of direct banks and ensure that the bank's backstage service personnel can directly face customers at any time when they need to meet their needs. Compared with the traditional banking business, because of the abolition of the material counter, the backstage personnel directly face the customer, reducing a lot of costs.

## 5. Conclusion

In the context of the Internet, traditional commercial banks need to recognize their disadvantages, learn from the advantages of O2O Internet finance mode, and continue to occupy an absolute advantage in the wave of Internet finance through continuous reform and upgrading and combined with external learning.

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