

# Analysis of Retail Business Transformation of China Construction Bank under the Background of Financial Technology

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## Abstract

By using the literature research method and the qualitative and quantitative research method, taking the retail business of China Construction Bank as the research object, this paper analyzes the overall situation of the retail business of China Construction Bank, the problems existing in the traditional retail business of China Construction Bank, the transformation process of the retail business of China Construction Bank under the background of financial technology, and the measures of the transformation of the retail business of China Construction Bank relying on financial technology. Finally, the paper analyzes and summarizes the enlightenment of the transformation of the retail business of China Construction Bank under the background of financial technology, including: pay attention to the power of financial technology and clarify its own positioning; Cultivate financial technology application composite talents; Innovate the retail product system.

## Keywords

China Construction Bank; Financial Technology; Retail Business Transformation.

## 1. Introduction

The transformation of retail business of commercial banks with the help of financial technology has theoretical value. Under the current background of accelerating changes in financial technology, how to establish a foothold for traditional banks, seize opportunities and pursue success, and formulate transformation strategies in line with the macro situation and banks' own conditions has become a topic worthy of discussion. Especially in the face of the traditional bank retail business market is divided by non-financial institutions and Internet technology banks, it is urgent and necessary to implement the transformation of retail business. On the other hand, fintech has brought the increase of customer base, the improvement of profit level and the reduction of risk to traditional banks, so how to implement the transformation strategy of traditional banks' retail business needs in-depth consideration.

At present, the transformation of China Construction Bank's retail business is one step ahead of other joint-stock banks and ranks among the forefront in the field of financial retail. In 2018, CCB included financial innovation in the first place of the overall strategic layout of the bank, which shows that CCB plans to apply financial technology to all aspects of operation, management, risk control, corporate culture and so on. Therefore, in terms of practical significance, this paper analyzes the concrete measures of China Construction Bank's retail transformation, and analyzes the effect and enlightenment of the retail business transformation of China Construction Bank in the context of financial technology, which can be used as a reference for the transformation process of other banks.

Wu Xiachin (2021) believes that fintech mainly refers to all fields involved in big data, blockchain, cloud computing, artificial intelligence and other technologies, collectively referred to as fintech. [1] Hu Bin and Ren Xiping (2021) believe that fintech plays an important role in the internal innovation of business models and products in the financial field. [2].

Zhang Demao and Jiang Liang (2018) believe that with the progress of social technology, traditional commercial banks have the problem of growth momentum fatigue, so it is urgent for financial technology to empower their retail business transformation. [3].

Sha Siying and Zhang Xiao (2019) believe that the key point of retail business transformation is to use financial technology to empower retail business, so as to create intelligent service scenarios and models. Therefore, commercial banks should focus on planning online and offline business channels, expanding financial life scenarios, innovating light and open service models, and improving customer experience. [4].

Guo Xiaobi and Jiang Liang (2020) believe that digitalization has become a characteristic of The Times, and the old business model of banks is no longer applicable. Only by relying on financial technology for digital transformation can retail banks avoid greater impact. [5].

## **2. Introduction and Analysis of Retail Business Transformation of China Construction Bank under the Background of Financial Technology**

### **2.1. Overview of the Retail Business of China Construction Bank**

Founded on October 1, 1954, China Construction Bank is one of the five largest state-owned commercial banks in China, ranking fourth. China Construction Bank or China Construction Bank for short. China Construction Bank is a leader in China's banking industry, committed to providing a full range of financial services and financial products to the vast number of users. Its business scope covers corporate banking, personal banking, fund business, and occupies an important position in many banking businesses in China (such as infrastructure loans, housing mortgage loans, credit card business).

CCB has a large client base, serves a number of strategic industries in China, and has close relationships with a number of large consortia and leading companies. CCB's marketing network covers all major regions in China, with branches in Hong Kong and Singapore. China Construction Bank ranked seventh in the "China 100 Enterprises" in 2010, jointly selected by the Buffett Magazine, the World Enterprise Competitiveness Lab and the World Economist.

It has been 38 years since China Construction Bank started its deposit business in 1986. CCB has been adhering to the "customer-centric" concept, constantly improve the level of service, in many aspects are in the forefront of peers, the rapid development of various businesses, is moving towards the direction of "building a world-class retail bank". The retail banking department of CCB has a relatively rich variety of inter-business, with good market competitiveness, and can well cover and meet various financial needs of customers. The company's products mainly include: bank card payment, settlement, such as dragon card, financial cards, various credit cards; Acting in the sale of funds, insurance and other investment and financial products; Develop and operate "Qian Yuan", "profit profit", "CCB gold" and other investment financial products. In addition, there are e-banking payment and settlement products such as Internet banking and mobile banking.

Since 2010, CCB has formulated its own "Five-Year plan" in accordance with the requirements of the national "Twelfth Five-Year Plan" period. CCB will closely focus on the goal of "customer-centric, market-centric", carry out reform and innovation, accelerate the pace of transformation, and establish the competitiveness of sustainable development. To be specific, the first is to improve the service quality of CCB, improve the differentiated services of the bank, and improve the overall financial management ability of the bank; The second is to increase product innovation in small business loans, consumer finance and other aspects, and on this basis, market-oriented. The third is to improve the network layout, strengthen the professional organization of the network platform and the construction of the network platform, and realize the organic integration of the network platform and the network platform. In short, the retail

banking business of CCB needs comprehensive management from three aspects: customer, product and channel, so as to realize its healthy and sustainable development.

In terms of market environment, the transformation of retail business has been adversely affected by financial reform and the development of the Internet, and traditional business alone cannot maintain the development of the banking industry. As the real economy continues to decline, the funds for the development of small and medium-sized enterprises cannot be supported. Most of the funds of banks flow into off-balance sheet business. Therefore, the government advocates serving commercial banks and promoting the in-depth development of economic entities, and has issued powerful supervision and management provisions. The financial field is highly covered by science and technology, and the financial technology of digital technology is used to subvert the traditional banking business, and machines replace some manual services.

In terms of social and cultural environment, with the high-quality development of China's market economy, with the continuous improvement of urban and rural residents' disposable income level, China's personal finance has been paid more and more attention. With the increase of people's per capita disposable income, people's consumption concept is also undergoing fundamental changes. Therefore, people's need for financial products and financial services is no longer limited to deposits and loans, but will also derive financial management, credit cards, consumer credit and other businesses, and show diversified and diversified characteristics, thus promoting the growth of banks' profits. Banks need to provide online and offline retail business support through continuous innovation of products and services to meet customers' individual needs. At the same time, with the rise of Internet technology, financial products continue to be derived and enriched, the channel advantages of financial institutions are becoming more and more significant, and the awareness of financial management of residents is also continuously improving. Banks have lost nearly one trillion yuan of deposits, compared with the simple deposit and loan business, financial institutions now have more abundant financial products, and banks must take the initiative to change.

## **2.2. Problems in the Traditional Retail Business of China Construction Bank**

### **2.2.1. The Operating Cost of Traditional Retail Business Increases**

The main channel of traditional bank retail business is the bank network, but the cost of manpower, venue rent, water and electricity is rising every year, and the operating cost of the bank is also rising. In addition, due to the geographical restrictions of bank outlets, most of the customers of retail business come from the residents near the outlets, so the source of customers is also limited to a certain extent. In this case, it is very necessary for CCB to transform its retail business to reduce the operating burden and enable the bank to operate more efficiently and flexibly.

### **2.2.2. The Network Personnel Problem is Prominent**

First, the grass-roots network staff shortage. CCB still has many outlets across the country that do not meet the basic equipment conditions of 9 people. A number of newly renovated banks, especially those on two floors, are fully functional but understaffed, and the financial center above is a mere decoration, magnificently decorated. Second, the age of the workers is generally older; Accelerating the improvement of the age structure and knowledge structure of the grass-roots network personnel is an important task to enhance the function of the network and improve the service quality. Third, the quality of workers needs to be improved. On the whole, there are great differences in the quality and ability structure of the company's staff, and there are structural shortages of professional professionals and operational backbones. At the same time, the shortage of talents also has a certain impact on the manpower allocation of wealth centers and boutique outlets.

### **2.2.3. Insufficient Product Innovation in Retail Business**

CCB's retail product innovation can not keep up with the changes of customer market, commercial banks have developed a product-centric marketing model, rarely according to market changes and customer needs to design and develop new products, but based on existing products, through the traditional marketing model to win customers and seize the market. In addition, various commercial banks also have a certain degree of similarity in retail business products, and more retail business products are not high in technology content.

### **2.3. Transformation of Retail Business of China Construction Bank under the Background of Financial Technology**

Before the transformation, CCB still relied on physical network channels to obtain customers. Later, the emergence of Internet financial products such as Yu 'e Bao and Tenpay forced CCB to transform its retail operation system to safeguard its market interests. In 2012, CCB officially launched the e-commerce platform "Shanrong Commerce", creating a comprehensive financial service from financing, custody, guarantee to payment and settlement by integrating capital flow, logistics and information flow. CCB's establishment of the e-commerce platform is a response to the financial technology enterprises continue to squeeze the financial market share of the banking industry, so that banks can serve customers in a more open and diversified form. CCB's establishment of an e-commerce platform can guarantee the security of customer information with high quality. Compared with traditional e-commerce platforms, Shangrong business platform relies on the original strict risk control system of CCB to ensure the information security of both sides of Shangrong business transactions, and the risk of information leakage is much lower than that of traditional e-commerce platforms. In addition, CCB has a large client base. The huge customer base of CCB can divert the e-commerce platform to a certain extent, integrate the traditional financial products of CCB into the e-commerce platform, and guide the customers of CCB to use the platform for trading, financing and settlement.

At the same time, CCB has also stepped up cooperation with network technology companies. In 2008, he cooperated with Alibaba to develop online e-commerce products such as "online supply chain loan", "online guarantee loan" and "online credit loan", and in 2017, he reached an agreement with Alibaba, Ant Financial and other companies. In July 2019, China Construction Bank and Huawei signed a strategic partnership on the development of big data, 5G, artificial intelligence, T-infrastructure and other fields. Through cooperation with Internet financial enterprises, CCB has timely updated cutting-edge technologies and models in terms of financial products and channels, broadened the application scenarios of financial products, expanded customer resources, served long-tail customers, and tapped new profit growth points.

### **2.4. Measures Taken by CCB to Transform its Retail Business by Relying on Financial Technology**

In the context of vigorously promoting the "retail-based" and "TOP+" fintech development strategies, CCB continues to increase investment in fintech, optimize and upgrade products, services and channels, accelerate the development of retail business, and strengthen the training of fintech personnel. In 2019, the investment in fintech reached 17.633 billion yuan, accounting for 2.50% of the operating income, becoming the largest among the four major banks, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank. As of the end of June 2020, the total number of technical personnel in China Construction Bank is 10,940, accounting for 29.8% of the total number of employees in the company.

In 2017, the "new generation core system" built by China Construction Bank was completed and successfully launched. The core system adopts a distributed architecture, while the key

applications adopt a centralized architecture. The industry-leading enterprise-level modeling method is adopted to comprehensively establish group-level process models, data models, product models and user experience models to build a big data cloud service platform, and improve the fine management level and operational efficiency. Improve the core competitiveness of the bank China Construction Bank continues to promote the construction of online and offline channels. In terms of physical channels, CCB not only optimizes the layout of outlets, but also promotes the digitalization and intelligent transformation of outlets with the help of financial technology, vigorously improves the self-service channel service network, and enhances the comprehensive competitiveness of outlets. Introducing robotic process automation (RPA) technology to improve the quality and efficiency of operations, and establishing the first enterprise-class RPA management and operation platform in China; Develop service application scenarios, and process some counter services online to improve customer experience. In terms of electronic channels, China Construction Bank uses artificial intelligence big data and other technologies to constantly update and iterate mobile banking and online banking to improve the user experience of products. The functions of mobile banking, the most important online channel of China Construction Bank, are increasingly perfect, with functions such as picture recognition and transfer and one-click card binding. The anti-epidemic service zone can provide customers with on-site services such as free online consultation, online grocery basket, and public welfare donations. Personal online banking has launched a customized version of private banking, adding functions such as personal credit record query, inter-bank transfer of mobile phone numbers, batch transfer receipt query and printing, and multi-card credit card adjustment.

China Construction Bank continues to innovate and enrich products, build product brands, expand mobile payment and scene layout, and increase the publicity and promotion of retail products. Table 1 lists the product brands built by China Construction Bank relying on fintech to promote retail transformation. In terms of risk prevention and control, China Construction Bank has set up a professional anti-fraud team, constantly promotes the intelligent construction of risk management system, uses the intelligent risk control brain of network finance to conduct all-weather risk monitoring on electronic channels, and adopts advanced algorithms such as machine learning and knowledge graph to strengthen the mining and analysis of monitoring information.

**Table 1. CCB relies on fintech brand building table**

Brand Name	Brand Introduction
Dragon Pay	In 2016, China Construction Bank released a mobile phone-based universal payment brand "Dragon Pay", which is a new payment system combining two-dimensional code, NFC, face recognition and other technologies, fully supporting a variety of online and offline transactions, including CCB wallet, CCB QR code, full card payment, AA collection, pick up, friend payment, etc. Dragon Pay business for all the public, continuous optimization and upgrading, business scale and brand image leading in the industry, by the end of 2023, the cumulative number of customers of Dragon Pay reached 229 million
Dragon Wealth	In 2018, China Construction Bank launched the "Dragon Wealth" brand, a wealth management and service platform created for individual customers, which uses financial technology to improve customers' financial asset allocation capabilities, provides a series of services such as intelligent advisory, retail credit, liquidity management, and intelligent insurance, and strongly integrates resources to create a new retail model. The core intelligent investment adviser "Long Zhi Investment" can match the risk preference of customers to make investment recommendations for customers. In the first half of 2020, the sales amount of "Longzhi Investment" was 7.367 billion yuan
CCB Wisdom Trusteeship	In 2020, China Construction Bank launched the digital hosting brand "CCB Smart Hosting" with the core of "smart management, smart operation, smart risk control, and smart data sharing", using financial technology means and advanced management concepts to comprehensively build a hosting ecosystem with customers, products, and channels interconnection. At the end of 2023, the bank's assets under custody amounted to 20.89 trillion yuan, an increase of 1.49 trillion yuan or 7.71% over the previous year.



### **3. Enlightenment of Retail Business Transformation of China Construction Bank under the Background of Financial Technology**

#### **3.1. Attach Importance to the Power of Financial Technology and Clarify its Own Positioning**

Before determining the retail transformation strategy, we must first conduct an accurate and clear self-analysis of ourselves, and combine it with the actual situation to accurately position it, so as to walk out of a development road with our own characteristics. This is the basis for the success of CCB's transformation. Secondly, CCB, with its strong financial strength, has established the development strategy of retail operation and steadily changed to the direction of retail operation. In order to respond to changes in the market, CCB has implemented a financial technology strategic plan and paid great attention to this strategy, planning for future financial technology applications and business development, so that it can effectively respond to the impact of financial technology.

#### **3.2. Cultivate Interdisciplinary Talents for Fintech Application**

Nowadays, financial technology is the frontier technology, and new scientific and technological achievements will be produced every day. In order to obtain the first-mover advantage in the field of financial technology, CCB must adapt to The Times and cultivate composite talents in the application of financial technology, who must be proficient in financial knowledge, computer application and the ability to apply and transform new technology. First of all, it is necessary to cultivate and recruit a group of scientific and technological talents with innovative thinking, and equip a team of financial technology talents, so that more creative and dynamic young people can adapt to and learn new technologies and ways of working faster. Secondly, it is necessary to smooth the upper and lower information transmission channels, open a green channel for the approval of innovation matters, reduce the difficulty of innovation caused by the slow approval speed, improve the fault-tolerant trial-and-error mechanism, and protect the enthusiasm of employees for innovation. Finally, it is necessary to improve the treatment of fintech talents. Nowadays, financial technology is booming, in order to attract outstanding talents in this field, we must develop a reasonable salary plan after the salary level survey in the industry, and establish a reasonable talent training mechanism, so that talents can give full play to their own abilities in the post.

#### **3.3. Innovate Retail Product System**

China Construction Bank has built a customer-centric retail system, using big data and cloud computing to accurately grasp the needs of customers, and then designed more targeted and smarter financial products for customers to solve their pain points. For example, retail customers are stratified by age, and the consumption habits and preferences of each age level are tracked using big data to build an information management system. After that, according to different needs, it recommends intelligent financial services suitable for customers, in order to attract customers' attention, which is the concrete embodiment of the combination of its customer-oriented thought and financial technology. The two apps, "China Construction Bank" and "China Construction Bank Life", have deep knowledge in life. According to the requirements of users, they have built more than one million life scenes such as life and family for users, which are welcomed by users. To sum up, through the integration of financial technology and customer needs, CCB has achieved rapid development of online platforms and precise acquisition of customers, which is the road to success for CCB's retail business.

## 4. Conclusion

In the era of accelerated digital process, the transformation of retail business of traditional commercial banks not only involves the application of financial technology in retail business, it is a systematic long-term project. CCB has now taken a correct and successful step in the transformation of retail business, and in the future, more traditional banks will follow the footsteps of CCB to embark on the journey of comprehensive transformation of retail business. This paper takes the retail business transformation of CCB as an example, on the one hand, it shows the process and measures of the retail business transformation of CCB, and analyzes the results and enlightenment after the transformation. On the other hand, retail business has a huge development space for traditional banks and will be the direction for other banks to vigorously develop in the future. This paper analyzes the transformation path of CCB's retail business, and also provides transformation ideas and enlightenment for other banks.

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