

Implementation of Platforms' Strategy by Financial Companies in China and Russia

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ABSTRACT

The global trends underline importance of e-commerce, development payments system as well as alternative banking services. China is considered as one the leader in digital transformation. In that regard development of Tencent in the previous decades and the strategy of the company give understanding, how new financial services evolve from traditional approach to platform model. We believe that payment systems as well as other financial platforms would play more important role, competing with traditional banking system and determining landscape of financial system in future. At the same time strategies, based on digital platform, are also actively implemented by Russian financial sector. But competition of new financial organizations with traditional banks are more difficult in our country, because some banks (including Sberbank, Tinkoff) are started building their own platforms. Platform's strategies are usually effective in mass market, because they are based on cost efficiency model. Nevertheless, some platform could be implemented in premium sector too and in the article, we developed private banking platform strategy for a large Russian bank, which might present strong competitive advantages in the nearest future. Current epidemic enforces digitalization processes, including premium sectors.

Keywords: strategy, digital transformation, platform, payment system, Tencent, private banking, China

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Реализация стратегий построения платформ финансовыми компаниями в Китае и России

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РЕФЕРАТ

Глобальные тренды свидетельствуют о быстром развитии электронной коммерции, платежных систем, а также альтернативных банковских услуг. Китай считается одним из лидеров в области цифровой трансформации. В этой связи наглядным примером является развитие компании Tencent в предыдущие десятилетия. Стратегия компании позволяет продемонстрировать как новые финансовые услуги эволюционируют от традиционной модели к платформе. Мы считаем, что платежные системы, а также другие финансовые организации нового типа будут играть более важную роль, конкурируя с традиционной банковской системой, определяя ландшафт финансовой системы в будущем. В то же время стратегии, основанные на цифровых платформах, стали активно реализовываться и на российском финансовом рынке. Но конкуренция новых финансовых институтов с традиционными банками в нашей стране более сложна, чем в Китае, поскольку некоторые банки (в том числе Сбербанк, Тинькофф) уже стали лидерами в построении своих собственных платформ. Платформенные стратегии обычно более эффективны в массовом сегменте, поскольку они основаны на стратегиях низкой себестоимости. Тем не менее, платформы могут вполне использоваться и в премиальном секторе, и в статье мы разработали стратегию платформы private banking для крупного российского банка, которая в ближайшем будущем может дать сильные конкурентные преимуще-

щества. Текущая эпидемия усиливает необходимость в цифровизации (диджитализации), в том числе и в премиальном сегменте.

Ключевые слова: стратегия, цифровая трансформация, платформы, платежные системы, Tencent, премиальное банковское обслуживание, Китай

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1. International payment environment and global trends

Through analysis of markets in different regions, the largest e-commerce market in the next four years is China (\$1.78 trillion), the United States (\$1.15 trillion) and the United Kingdom (\$314.5 billion). Chinese merchants who want to expand their international business should consider entering the fastest e-commerce market with annual compound growth rates, such as India (21%), Malaysia (21%), Turkey (19%) or the Philippines (19%). The development of mobile payments is now an unstoppable and exciting trend in the global e-commerce market. By 2022, China's mobile commerce market will achieve leapfrog development, and many countries and regions are also following the global trend of mobile commerce. And the following is the introduction of the payment environment of some countries in detail. The era of e-wallets is coming, especially in the US. Due to the high Internet penetration rate in the United States, the e-commerce market and e-wallet spending showed a good growth trend. The data shows that in 2017, the per capita expenditure of the US e-commerce market reached 2,271 US dollars, and the per capita expenditure of the physical store market was 24,248 US dollars. Among them, the e-commerce market mobile wallet accounted for 20% of the total, and the physical store market mobile wallet accounted for only 3%. From 2018 to 2022, the compound average growth rate of the e-commerce market reached 9%, and the compound store growth rate of the physical store market was 7%. Its Internet penetration rate reached 79% in 2018.

In Japan is the world's highest post-paid usage rate. Although Japan's Internet penetration rate is as high as 100%, its use of e-wallets is actually not high, and Japan is the region with the highest post-paid usage rate in the world. For example, there will be many convenience stores in Japan. Many consumers choose products on the Internet and then go offline to pick up the goods. The data shows that in 2017, the per capita expenditure of the Japanese e-commerce market reached 1,158 US dollars, and the per capita expenditure of the physical store market was 14,530 US dollars. Among them, the e-commerce market mobile wallet accounted for 3% of the total, and the physical store market mobile wallet accounted for only 3%. From 2018 to 2022, the compound average growth rate of the e-commerce market reached 6%, and the compound average growth rate of the physical store market was — 1%. Its Internet penetration rate reached 100% in 2018.

India's payment environment could characterized that de-monetization reform is driving the digital payment revolution. India is a populous country with less than half of its Internet penetration, but its mobile wallet's share and growth rate are very objective, so its market prospects are great in the future of the Internet. The data shows that in 2017, the per capita expenditure of the e-commerce market in India was 27 US dollars, and the per-capita expenditure in the physical store market was 659 US dollars. From 2018 to 2022, the compound average growth rate of the e-commerce market reached 21%, and the compound average growth rate of the physical store market was 11%. Its Internet penetration rate reached 45% in 2018.

China is a well-deserved e-commerce giant, and the rapid development of mobile payments, including Tencent, has benefited from this. The data shows that in 2017, the per capita expenditure of the Chinese e-commerce market was 787 US dollars, and the per capita expenditure of the physical store market was 10 911 US dollars. From that amount, the e-commerce market mobile wallet accounted for up to 65%, and the physical store market mobile wallet accounted for 36%. From 2018 to 2022, the compound average growth rate of the e-commerce market reached 9%, and the compound store growth rate of the physical store market was 11%. Its Internet penetration rate reached 61% in 2018 [1].

We also have a few platforms in Russia, which include Yandex, Sberbank, MegaFon, MIR (NSPK) etc. Some traditional business are also thinking about launching digital platform. Current situation with coronavirus demonstrated that platforms could be less damaged by external shocks and could adapt to new economic reality easier than traditional businesses. Most mentioned platforms in Russia are allowing to make payments or include payments system.

So, payment systems and e-commerce are developing fast in many countries.

Why do we believe payments system became competitors to traditional banks? We saw a few trends, which supported such growth, especially in China. First of all, most largest Chinese banks promote their services for large corporation and wealthy citizens from large cities, whenever most people are not very important for banks and services for them are not developing very fast. Second trend concerns mobile devices. Penetration rate of mobile phones are high. Almost all Chinese have mobile phone (in some cases even more than one), whenever opening bank accounts are much more difficult, especially in province. Third trend — fast development of small and medium businesses, whenever neither large banks, no traditional payments systems like Visa and MasterCard, were very interested in servicing this quite fast developing businesses, discuss more convenient forms of collection encashment fees. Furthermore, local regulations contains some limitations for using foreign payments systems and China is developing its own independent payment systems. So, Visa and MasterCard are not very popular in China.

The same situation was in Russia a few years ago. Visa and MasterCard had to open transaction centers in Russia and most operations are cleared in this Russian center. Furthermore, establishing National Payment Card System (NSPK) allowed to create independent payments platform, which includes many banks, retail and service companies, customers (mostly public employees).

All these trends, as well as agile strategy of Tencent, which we would discuss further, made possible for Tencent unexpectedly become one of the most popular payment system in China.

2. The history of Tencent

On November 11, 1998, Ma Huateng officially registered and established “Shenzhen Tencent Computer System Co., Ltd.” in Shenzhen, Guangdong Province. Tencent’s initial business was to expand the wireless network paging system and establish an online paging system. In February of the following year, this young team developed a network instant messaging tool. As the number of user registrations has continued to climb, Tencent’s territory has also expanded. On June 16, 2004, Tencent was officially listed on the main board of the Hong Kong Stock Exchange, becoming the first Chinese Internet company listed on the main board of Hong Kong. Tencent’s total revenue reached 237.7 billion yuan and net profit reached 72.5 billion yuan in 2017. As of the end of 2017, Tencent had a market capitalization of approximately RMB 3 233.7 billion, making it the largest Chinese company by market value in 2017 [2]. Since its establishment more than ten years ago, Tencent has been adhering to all business philosophy based on user

value and has always been in a state of steady and rapid development. Tencent will provide users with “one-stop online life service” as a strategic goal, providing Internet value-added services, mobile and telecom value-added services and online advertising services. Through instant messaging QQ, Tencent QQ space, wireless portal, search, pat, Tenpay and other leading Chinese online platforms, Tencent has created China’s largest online community to meet Internet users’ communication, information, entertainment and the needs of e-commerce and other aspects. Tencent is China’s largest and the world’s third largest Internet company, China’s largest Internet integrated service provider, the Internet service company with the largest number of service users in China, the Internet company with the highest market value in China, and the world’s largest instant messaging service provider. At present, China’s Internet service and technology market is basically in a super-strong situation: Tencent has almost monopolized in the instant messaging market. No matter whether China Mobile’s Fetion or MSN can challenge its position; but in the Internet security service market, Tencent’s QQ Doctors, Qihoo’s 360 security guards, Kingsoft Internet Security and Rising Antivirus all have certain seats, and among them, 360 security guards have the biggest challenge to Tencent’s QQ doctors, and even have certain advantages. Due to the high technology, high investment and fierce competition in the Internet technology and service market, any potential entrant must consider whether to challenge the strength of these large companies. Therefore, the current competition in the Internet technology and service market mainly focuses on this. Tencent demonstrated, that its strategy based on development digital platform, is more successful than traditional business including China Mobile.

3. Tencent’s payment ecosystem as fundament of company’s strategy

WeChat Payment is a leading third-party payment platform in China by Tencent Group. It has been committed to providing safe, convenient and professional online payment services for users and enterprises. With the core concept of “WeChat payment, not just payment”, a variety of convenience services and application scenarios for individual users, providing professional collection capabilities, operational capabilities, fund settlement solutions, and security for various enterprises and small and micro businesses were created. Enterprises, goods, stores, and users have been connected through WeChat, making smart life a reality. On August 15, 2018, Tencent released its second-quarter and mid-term comprehensive results report, showing that the combined monthly active accounts of WeChat and WeChat reached RMB 58 million.

The “Smart Life Solution” with WeChat payment as its core has covered millions of stores and more than 30 industries. Users can use WeChat to pay for medical treatment, shopping, eating, traveling, paying water and electricity, etc. WeChat payment has been deeply in life. Up to now, Tencent’s payment business has won nearly half of the market share. The number of commercial payment users, merchants and transaction volume has increased rapidly. The number of tied users exceeds 800 million, and the average number of transactions per day is 1 billion. Mobile payment services are in merchants. Tencent’s financial business layout began as early as 2005 when Tenpay was launched. Up to now, Tencent Financial Technology has completed the layout of payment, wealth management, insurance and other product lines, and gradually has the prototype of the financial open platform. Not only that, but also it continuously expands the offline application scenarios of financial services through product technology innovation. Travel, blockchain electronic invoices, cross-border payments and other subdivisions, each field contains a huge imagination. As we all know, third-party payment is Tencent’s earliest mutual gold sector. Currently, it holds a payment license and has multiple front-end payment products such as TenPay, QQ Wallet and WeChat payment. As of now, the average daily transaction volume of WeChat pay-

ment exceeds 1 billion times, connecting 50 million individual merchants and merchants. In the three major financial services — payment, wealth management, and loans, the profit margin is not the highest, but it has the highest volume and increasing penetration rate. The official saying is that Tensent's commercial payments accounted for more than half of the total payment transactions in 2018. Rapid growth is also based on transactions of small businesses. In terms of cross-border payment, Tencent took the lead in investing in overseas markets in 2013. At present, Tencent's cross-border payment has been accessed in more than 49 overseas countries and regions.

Tencent's strategy includes development of wealth management, e-commerce, as well as commercial payments [3]. According to financial report data, revenue from financial technology and corporate services increased by 36% year-on-year to 26.758 billion yuan. This increase mainly reflects the increase in revenue from commercial payments due to the increase in the number of active users per day and the number of transactions per capita, as well as the increase in revenue generated by the penetration of cloud services in major vertical areas. In terms of financial technology services, as user activities and cash flow increase, the payment ecosystem is growing.

We could conclude, that WeChat becomes disruptive innovation for Chinese financial system. As mentioned earlier WeChat became more wide spread then even largest Chinese banks (ICBC, Bank of China etc.) due to fast development of technology, mobile phones, as well as very conservative strategies of largest banks (not only Chinese, but also banks from developed countries). WeChat payments was much more convenient for most Chinese, especially from rural regions of China then transactions through traditional banks. Its ecosystem includes many small businesses, which deliver products and services to Chinese.

4. Tencent Strategy

Tencent identified its new strategy as following: connecting everything, the company focused on businesses, its social role, finance, Internet Plus, and investments in new businesses. Tencent has adjusted its organizational structure and launched a new round of overall strategic upgrades. It hopes to further explore the integration of social, content and technology that is more suitable for future trends and promote the realization of the Internet by connecting people, connecting digital content and connecting services.

The Industrial Internet, which links consumers and industries, has become the most personal digital assistant in all walks of life, actually expanding from BtC to BtB [4]. At the same time, promoting the deep integration of social platforms, content industries and technologies is another major focus of strategy's adjustment. Provide users with more comprehensive, diverse and high-quality content to improve product competitiveness. This is beyond the scope of Tencent's social company, which broadens the positioning of the company itself, but the company also faces more unfamiliar markets and scenarios.

In the BtB field, the company's cloud industry continued to expand. The growth rate of cloud service revenue maintained a high speed, which was more than doubled year-on-year. The revenue in the first three quarters exceeded 6 billion yuan, and the number of paying users also recorded three years [5]. It is expected that the company's BtB map will continue to expand rapidly in the future. In the BtC Tensent already has such aggregators as WeChat, QQ, games, Tencent video, Tencent Music, Reading Group, Tencent browser, Tencent map, national K song, payment and many other fields. WeChat monthly users have exceeded one billion. However, Tencent is still facing strong challenges, first of all competition from other well-known platforms and new players. Therefore, Tencent should stay agile and ready to innovations [6].

Tensent's strategy currently adopted additional diversification. Based on an intensive strategy, the company continuously develops new markets and increases its market share.

Tencent has been developing new products since its inception. In the existing business, we constantly develop new products suitable for all ages. In the past, Kaixin.com had a happy farm. Tencent Company developed QQ farms in order to compete for its own market share [7]. Based on Tencent QQ, personalized value-added services greatly increase the viscosity of QQ users. Tencent has not satisfied the position of the casual game market leader, and turned to other types of games, such as agents crossing the FireWire, League of Legends, these two. The number of users of the game is only increasing, and the number of users has risen in a straight line. What Tencent needs to pay attention to is to maintain the consistent continuity of the “Q culture” and form an online game with its own style, such as the QQ Three Kingdoms. Tencent currently owns several game studios and product development centers, the most famous of which are five game studios [8; 9]. At the same time, Tencent’s games are the most online companies in China, whether they are self-developed or acting games, occupying in China.

As mentioned earlier Tencent is constantly entering other markets than instant messaging under the guidance of relevant diversification strategies. This is a diversification from a market perspective, which can be called “market diversified business layout” [10]. From the perspective of revenue and profit, Tencent has three main sources of income: Internet value-added services, mobile and communication value-added services and online advertising, which can be called “business types with diversified incomes” [11].

5. Tencent as a leader in platform strategy

We could consider Tencent as a leader of platform strategy, because the company was able to develop exponentially for some time and quite fast create substantial clients’ base in China. All transactions are processed in WePay (WeChat) and most Chinese use this payment system nowadays.

This is a many sides platform, which includes:

- clients (people, who prefer to pay by mobile phone, not credit cards);
- Chinese commercial banks (including ATM), which service some money transfers;
- shops and different kinds of trade and service companies, which are ready to accept payments through WeChat.

The positive network effect — more clients use WeChat, more private business use the system as alternative to traditional bank and cards settlements, more banks would have to connect to the system finally. So, the strategy was quite clear, unique, consistent and, as a result, successful.

So the system could be considered as both BtC and BtB. Because not only people use WePay for settlements, but also some transactions between small businesses (which often represented by entrepreneurs) are also performed through WePay.

Acquiring a first customer was solved not by administrative tools. For example, if we compare this platform with National Payment System of Russia (issuing cards “MIR”), in NSPK government employees are paid salaries to MIR cards, which allowed to establish platform. In China role of regulation is very important, but most probably WePay is a private initiative.

Key success factors (KSF) for platforms are determined by number of participants from different sides, sustainability of interaction between them (it is especially important in BtC model, that amount of participants grow fast and participant are regularly make transactions through the platform, though in BtB platform also important to include most participants, which in aggregate control a good part of the market), transaction between sides require special information system (software). In traditional business there are many strategies — and not all of them aimed to win a big part of the market, but win clients, who bring most value to companies (for example niche business). Creating value for customers is necessary as well as high profit per client. But in platform an-

other economic logic. Profit per participant might be low (and even negative, in case profits are generated by other side of the platform). But huge amount of participant allows to generate economic value [12; 13]. Most transactions in platforms are regular and standard (we could use word “routine” from evolution economy). In some markets there are a lot of traditional companies, competing between themselves. If these markets are not organized, there are place for platforms. On the other side a platform model might be used as an antimonopoly instrument (electricity production was a monopoly business, but a few years ago restructuring in electricity business and implementation new business model in electricity market give space for many independent electricity generator companies). So platform might be used in oligopoly market too. It will be difficult to use platform model in individual services, sophisticated products (solutions), which require long-term relations between suppliers and clients.

So, platforms are more effective on markets with many participants (at least from one side), which allows to facilitate positive network effect, and require that the services (products) are booked (and delivered) through special software. Software for traditional business might be considered as compliment services, but does not play such a central role. Software determines how network members interact between themselves in order to get services. That is contrary to traditional pipe business, where sales are based on direct contacts with sales agents, dialers, shops etc. (maybe except Internet sales). Accordingly, KSF for platform is data about clients and their activities [14; 15]. Definitely traditional strategies nowadays also pay much attention to data, but for platform it is a vital part of the business.

Over time software might be the main factor, which determine competitiveness of platform.

In order to increase amount of participant and provide high growth rate may apply different mechanisms — subsidization, government support (like in MIR cards), convenience of services (Android), technological progress (Windows). That is essential for getting substantial part of the market. For most pipe business it is impossible to provide such high growth rate, because it will require a lot of resources (capital, labor etc.). After stabilization platforms would try to be more efficient in monetization — so prices for services are likely to be increased and platform would supply additional services.

We do believe, that platform business has competitive advantage for some period of time. Over time growth rate in platform business will stabilize and platforms might expand their services for complementary markets with similar client base (or for some part of its client base). For example, WePay could try to expand geographically, but unlikely it goes in developed countries with developed financial system. We could also see, that Apple will launch its own payments system. But inside Chibna WePay is quite protected, especially due to government regulation and limitations for using foreign payment systems.

But if consider free markets, more probable, that competition will be stronger and might become cross-sectoral. Platform from different markets might start competing between themselves. For example, telecom companies might create platforms in many services, including financial, medicine diagnostics etc. On other side we could see more specialized platform (for example, specialize of some part of the market), which would allow to increase monetization. Traditional pipe value businesses might be interested in transforming in such sub-platforms.

KSF will be determined by stability of client base (client retention, more actively usage of services per client). Also monetization would be more critical. If nowadays platforms present mostly cheaper products and services comparing with traditional businesses, in future platforms will try to increase not only revenue, but also profit per client (otherwise they could not meet investors' expectations). We are not sure that subsidization would be as important in future as now, because client base would be more stable. Network effect continues play its role, because it is the fundament of platform model.

Platform might evolve and partly integrate suppliers (vertical integration, which might have financial basis). Platforms would definitely optimize relations with participants from every side (by more effectively using both individualized as well as general data), which are collected but not fully used now.

Government regulation of platforms might be more stronger, which will require cooperation of regulators of different countries and some global decisions.

6. Developing platform in private banking in Russia

Private banking clients are wealth individuals and families, most of whom owners (or in some cases executives) of businesses, or inherent capital (the last does not spread much in Russia). Many private banks deliver both financial services for its premium clients, as well as some additional services through a concierge service. Renting luxury cars and yachts, booking hotels and tours anywhere in the world (including travel by private jets), restaurants and wine rooms, participating in golf club and professional events in different countries etc. are available just by one telephone order in concierge service. Role of concierge service — mostly advise to which providers of services should their clients call and redirecting calls to appropriate services, and in a few instances, booking services themselves. Using concierge service gives privileges for banks' clients, discounts or preferences for renting jet, yachts etc. (usually up to 2%). Discounts in restaurants are more considerable — from 10% (in most cases) up to 25%.

We believe that this service could be not only digitalized, but also “platformized”. Though quantity of clients is limited, as well as services' providers, this platform could have strong cross-side and one-side network effects.

At the same time platforms allows to optimize organizational structure by combining traditional hierarchical (vertical or matrix) organizational structure with holacratic approach (project team) [16].

Understanding, that in private banking clients are very conservative, unique, have a lot of their own resources, highly appreciate confidentiality, anyway, the bank should not only listen to clients, but also try to experiment, promote new innovation services (it might be tested for a few clients at the first stage). That is why each bank institute should consider if its gap between current and desired innovation culture (which allows experiments and innovate) is not too substantial. In some cases, relying on clients' preferences might mean, that competitors could be more aggressive, propose new services, and finally attract more clients, which could be easily modified in order to transform culture from stability and reliability to stability with more innovation [17]. In that regard experience of Sberbank in transforming business is impressive [18]. Tinkoff bank also managed to be the first Russian digital bank, which does not have any offices. Its strategy started from attracting millennials, which lives are base on technology and mobile communication, and then expand to their parents and wealthy individuals. Its strategy was considered as quite aggressive (increase of assets is 54%) [19], though capitalization of the bank fluctuates. It was really challenge to traditional banking with luxury offices, in some cases with long history.

Because luxury goods and exclusive services are mostly oriented for wealth people, the platform gives an opportunity to connect demand and supply side in one place, connected directly with the bank. Closed club increases the network effect, because people are motivated to share experience (or better say to demonstrate their estate, purchases, and receiving premium services, if we speak about Russian style behavior). For these people might be very important not only what they buy (or receive services), but also where they do it, demonstrate it and get appropriate emotional experience. This platform might become a competitor to some exclusive shops like TZUM (or maybe cooperate with them in future). Taking into account, that most wealth clients have

a lot of estate, they could become both clients and providers of some services (short-term rent out estate, yachts etc.) simultaneously.

This platform gives direct access to financial services, providing financial suitable conditions of transactions for all sides of platform, as well as additional financial services, like deferred payments, insurance, etc., based on the bank's competence to analyze data about clients' finance and transactions. Implementing a new platform "Exclusive services platform" will allow to synchronize inflows from different kind of investments (from deposits and securities' portfolio till renting out real estate etc.) and outflows for premium services.

Exclusive services platform has two sides. First side — private banking clients (in most cases they are demand side, though sometimes could be supply side as well). Second side — exclusive services providers. These services, as mentioned before, includes different services: renting of real estate, premium cars, yachts, jets, booking of hotels, restaurants, beauty and health, etc. Financial services are provided by Societe Generale Groups. In future, in this platform would be efficient, some luxury goods stores (like TZUM) might also be added as supply side.

At the beginning the platform starts cooperation with few European and the USA as well as domestic premium companies in some segments, some of whom already part of concierge service. Lately more service providers from different industries, as well as other countries, could be added to the system. But anyway, banks should carefully chose service providers, negotiates with them financial and other terms (all orders and most payments are going through the platform, which discussed further), controls quality of services.

At the third stage some luxury goods boutiques might be also integrated in the platform. Actually, this platform might be considered as a supplement to financial services of private banking, which optimizes saving and spending decisions of premium clients.

This platform will allow to create strong positive effects — not only across side (clients are interested in choosing different kinds of services, though quantity suppliers of each kind on services is limited), but also from one side (due to limited quantity of private banking clients, they might be interested to cooperate with other members of the closed club).

We are seeing the following reasons for banks to create this platform:

- this platform actually presents hybrid model, based on existing services and clients, allows to promote new digital services for premium clients;
- network effects would support connections of bank's clients with service providers, contribute to long-term cooperation of private banking with its most valuable clients;
- this platform allows to promote additional financial services to both sides of platform and directly based on available resources and bank's competences;
- this model has good monetization potential for the bank.

The process of transformation implies that clients, who wants to continue order services by concierge service, should have this opportunity (hybrid model). But Exclusive service platform has great perspectives, because it helps clients to get services through connecting with many premium service suppliers, receive additional discounts (higher than in concierge service), connect with other private banking members (platform should have such possibility, though it is difficult to estimate now, whether members would prefer communicate between themselves or stay more independent, in the second scenario platform building is more problematic).

7. Conclusions and suggestions

Platform developments is determined by trends [20]. Platforms are more agile and ready to new challenges. In the article we described different examples, especially concentrating on Tencent and private banking platform.

Tencent has been adopting an expansion strategy. From the initial Tencent QQ to various Tencent products, Tencent has been continuously developing new products, opening up new markets, and increased its penetration rate. Strategy of Tencent is to integrate big data, cloud computing, artificial intelligence and other science and technology into the traditional financial industry to carry out financial innovation.

One of the characteristics of the financial technology business is the low profit margin. In the early stage, a large amount of investment is required, and only when the economic effect is realized and many clients are participant of the platform will profit begin. In June 2018, Tencent's mobile payment users had a monthly activity of more than 800 million. In 2018, the average daily total payment transaction volume exceeded 1 billion.

Tencent continues investments in the technical achievements and financial industry. In the combined business, Tencent has a certain first-mover advantage. There are many business branches in the financial technology industry chain. At the end of 2018 Tencent's wealth management assets exceeded 500 billion yuan, the number of users has exceeded 150 million.

Tencent leverages its huge user base and relies on mobile payment scenarios to closely link technology innovation, financial products and user demand. It is supported by sufficient cash flow, cloud technology, artificial intelligence technology and multi-channel promotion. Strategy of Tencent, based on development of platform, investments in financial technology will give new opportunities and allows to generate profit and increase capitalization.

We also considered alternative platform strategy, based on high margin and which do not require huge amount of clients. Platform in private banking could also generate profit, create competitive advantages and help to retain clients in the long run. That is why we believe that platforms represent the most efficient strategies in financial sectors in future. Current challenges of coronavirus epidemic underlines importance of synergy of both traditional business model and digital transformation, especially in financial sector.

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