

A Case Study on Supply Chain Finance of SF Express

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1 History and outlook of the development of supply chain finance

The development of supply chain finance goes through four periods, First, supply chain finance 1.0 Version “1 + N” mode, offline dominated by banks based on the credit support of the core enterprise “1” in the supply chain finance services for its upstream and downstream enterprises “N”; With the development of Internet technology, the 2.0 Version of supply chain finance came into being. The 2.0 Version is the online version of the “1 + N” mode, which connects the supply chain through technical means. Upstream and downstream core companies, banks and other capital providers, logistics service providers, etc., achieve online business, logistics, capital flow and information flow in the supply chain to supply in time. The enterprises control the risks of financing loans; Then the 3.0 Version of supply chain finance includes the intervention of Internet technology to create a comprehensive service platform instead of the core enterprise “1” to give small and medium enterprises credit support on the platform “N”; Now, the 4.0 Version of supply chain finance is to integrate logistics, capital flow and data flow, while optimizing resource allocation and improving efficiency as well as reducing risk.

2 Case Study on Supply Chain Finance of SF Express

SF Express derived in Shunde City, Guangdong in 1993. The founder is Wang Wei, and the current headquarter is located in Shenzhen. At the beginning of the SF

Express, it was mainly a service company that provided domestic and foreign delivery and related business services. Since the establishment of the company more than 20 years ago, as customers’ needs change, the business scope of SF Express has also continuously expanded. The express delivery service is transformed into a large business group that integrates diversified businesses in express delivery, e-commerce, fresh food, aviation, information systems, and third-party payment. A few years ago, SF Express has registered SF Bank and SF Express Payment.

SF Express launched financial business in 2010. SF Express was a third-party payment platform launched by SF Express and successfully obtained the third-party payment license issued by the Central Bank in December 2011. The third-party payment service of SF Express is not as popular as Alipay, but it integrates with its main business service. The latest registered SF Express’s users can get the right to send SF Express twice with a penny. It has also attracted a considerable number of merchants and customers who rely on the SF logistics network, and has also strengthened the users’ preference to a certain extent. The acquisition of online payment licenses not only can bring transaction fees, but also can collect users’ consumption habits by big data.

In 2014, SF Express obtained the bank license under the original third-party payment license, which also means that SF Express entered the era of using offline POS machine in credit card, which greatly improved the user's payment efficiency and optimized users’ experience. In 2015, SF Express combined with E Fund Management Co., Ltd. and launched the “hand-in money” business. As a currency fund, “hand-in money” can generate a large amount of spare funds, reduce the cost of funds, and improve the efficiency of fund circulation. For users, it improved the experience

and attracted new users. In the same year, SF Express launched the warehousing financing service and the hand-in payment service under China's CITIC Bank.

2.1 SF Express's premise for supply chain finance

First of all, from the perspective of logistics, the main businesses of SF Express include SF Express, SF Warehouse, SF Supply Chain, SF's O2O and so on. It provides detailed logistics flow; from the perspective of information flow and capital flow, SF has a powerful management system for information, processes a series of big data accumulated in actual trade such as historical transaction, payment, credit rating, logistics flow etc. Through the collection, analysis and processing of the information, it can provide Chain Financial Services with credit rating and analysis of trading records.

From the perspective of logistics services, SF Express has established an efficient service of high quality, logistics and distribution network of high security, from home delivery, storage management, sorting and distribution. The distribution network covers more than 230 prefecture-level cities nationwide and more than 2,700 county-level cities, covering more than 90%. A strong distribution network is the basis for SF Express to provide other value-added services. Moreover, SF Express has a very powerful warehousing system. SF Express has built more than 100 large distribution centers nationwide with a storage area of more than 200 square meters. The storage services provided by SF Express involve a wide range of industries, including 3C electronic products, fresh food, and clothing, retail, daily necessities, etc. With its rich experience in storage management and advanced storage management system, SF Express clearly marks and manages a series of information such as the batch number, shelf life, quantity, specifications, etc. of the goods, and then the goods are stored, which also can make the warehouse financing in supply chain finance better. In terms of the speed of logistics circulation, SF Express is also at the leading status. SF Express is the logistics company with the largest number of cargo aircrafts in China. It continuously increases special logistics routes between key cities and launches "Express in One Day", "Express Next Day". A series of services such as "SF Express" are far ahead of other companies in terms of time. From the perspective of security, SF Express is an enterprise that emphasizes the safety of delivery. The loss rate of its goods is high in the industry. All of these are

the guarantee for SF Express to successfully conduct supply finance.

2.2 Supply chain finance of SF Express's third-party logistics

At present, there are four main financial products in SF Express's supply chain: warehousing financing based on cargo rights, factoring financing based on receivable accounts, order financing based on customers' operating conditions and contracts and SF Express's loan based on customers' credit.

2.2.1 Warehousing financing

The warehousing financing is based on SF Express's large warehousing area and efficient network for information exchange. SF Group has hundreds of warehouse distribution centers nationwide, more than 2 million square meters, and has an information network in each warehouse center. Each storage center can realize real-time information exchange and timely distribution of goods. At the same time, SF Express also has extensive experience in warehousing management, which is the basis for SF Express to carry out sub-warehouse stocking and warehousing finance. At the same time, merchants can also provide financing loans to SF Express for the goods stored in the warehouse. SF Express provides loan services with its logistics network, warehousing centers all over the country, and developed interaction network with financial strength, which helps achieve a completely closed transaction and a win-win outcome for all stakeholders in the supply chain.

2.2.2 Order financing

The main customers for order financing are those who have cooperation with SF Express and have a long-term cooperative relationship with SF Express. The main process is: when downstream buyers are purchasing, they will send the orders to SF Express's financing platform. In the subsequent procurement process, the payment will be achieved on the SF Express's platform. During the procurement process, logistics transportation, warehousing and storage are also finished by SF Express. At the same time, transportation, logistics and warehousing operations are all completed by logistics, which deepens cooperation and reduces the pressure of funds, SF Express not only earned profits from financing service but also consolidated its main business, which further strengthened customers' preference.

2.2.3 Factoring financing

To promote factoring financing, SF Express mainly has accounts receivable financing for financing and warehousing business. The warehousing business provides inventory loans for partners who enjoy SF Express's warehousing services. The advantage is that SF Express can monitor and update the goods stored in the storage center in time, and can dynamically update the pledged goods. To assess its value, the credit of related companies can also be adjusted to achieve a dynamic management. Accounts receivable financing is aimed at those upstream and downstream companies that have deep cooperation with SF Express Group. Downstream buyers in the supply chain have signed a purchase contract with upstream suppliers, resulting in a certain amount of accounts receivable. The upstream supply enterprise's right for the receivables of the downstream procurement provides capital support for the upstream enterprise.

2.2.4 Small loan

Small loan is provided by SF Express for those companies with long-term cooperation, high-credit and powerful network of information collection. SF Express Group provides data of the transaction and credit. There is a more comprehensive assessment and analysis of the repayment ability, which can classify the credit risk of the parties who need financing, and provide loans between 100 yuan and 50,000 to different financing parties. To a large extent, it solves the problem of financing difficulties for some small and medium-sized enterprises, and can also increase the users' preference for using SF Express. At the same time, they can also earn interest on loans and increase the value of the overall supply chain.

2.3 Hand-in payment

Hand-in payment is a third-party payment platform jointly launched by SF Express and China CITIC Bank. It is committed to creating a convenient, safe, and fast third-party payment platform for SF Express's customers. In this application, every SF Express's customer can bind their bank accounts. After completing the account binding, you can enjoy many services of SF Express, mainly the following types:

2.3.1 SF value cards

There are currently two types of value cards, SF campus card and SF Express card. Customers who have the value card can use the value card to pay for the

monthly courier fee. Every time goods by SF Express is sent, it directly scans the bar code on the card and automatically deducts the fee after giving the password for payment, which is very convenient and fast. For SF Express's frequent users or merchants, it can reduce their delivery to a large extent, and also increase their users' preference.

2.3.2 Convenient agent service

After the user signs the agent agreement with SF Express and the goods meet the legal requirements and the quality, then the goods can be delivered to the buyers. SF can be the serving subject who gains a certain percentage of the service fee for providing agent services.

2.3.3 Hand-in payment

For the funds deposited in SF Express's bank, SF Express and E Fund Management Co., Ltd launched the hand-in payment, so that the funds can continue to expand in value. At the same time, SF Express also has current financial products. The amount will be deposited into SF Express's current financial products to get certain value-added profits. SF Express's current financial products are automatically value-added, allow withdrawing cash at any time to meet the customer's needs for high liquidity of rebating money, value reserve and appreciation.

3 Discussions and Conclusions

3.1 Advantages of supply chain finance of SF Express

Compared with the traditional supply chain finance, the supply chain finance based on third-party logistics still has many advantages.

3.1.1 Diversified business subject

In the traditional supply chain finance, commercial banks are the only business subject. All business is centered on commercial banks. Commercial banks grant credit to businessmen based on the guarantee of core enterprises in the supply chain to the enterprises that need financing. In the supply chain finance of third-party logistics, business subject has more diverse choices, such as other non-financial institutions, logistics enterprises with financial licenses through mergers and acquisitions to raise finance. For SF Express, the funds are from SF Express Group, but not the single source, making the supply chain finance more dynamic.

3.1.2 Simplification of credit subject

In the original supply chain finance, small and medium-sized enterprises in the supply chain are not easy to obtain financial institutions. They often obtain credit from financial institutions through guarantees from core enterprises in the supply chain. Based on its information, Third Party Logistics grants credit to the upstream and downstream companies. And the risk of funds is transferred from the financial institution to the logistics enterprise, and the credit subject changes from “N” to “1”.

3.1.3 Cut-off costs and fewer risks

After SF Express uses the corporate system of managing information to carry out supply chain finance, the costs of traditional financial institutions can be greatly reduced. In traditional financial services, financial institutions can only monitor static indicators such as the financial status of the financing party. It is impossible to supervise its whole business process and real transaction. SF companies can carry out comprehensive evaluation of the actual procurement and sales of raw material and goods in the development of supply chain finance. The evaluation is a dynamic process, which greatly reduces the cost of supervision than that by traditional financial institutions .

For the whole supply chain, SF Express not only reduces costs and speeds up the operation of the supply chain, but also reduces the overall risk of default to a certain extent. The main benefit is that during the actual operation of SF Express, it has accumulated a large amount of data of real transaction, and performs analysis on its credit and rate of each customer by big data, which can greatly reduce the customers' default risk. Third-party logistics companies will conduct assessment, control, and transfer of the risk of the credits. After exemption from commercial banks, part of the rights will be handed over to third-party logistics. Third-party logistics can integrate capital flow into logistics and information flow to achieve integration of upstream, downstream and midstream enterprises.

3.1.4 Development of SF business and growth of profit

For third-party logistics companies, the new supply chain finance provides a value-added service for goods delivery, warehousing management and other businesses. Logistics companies provide services of supply chain finance, which can greatly reserve regular customers. Secondly, the supply chain financing is also

a new way to increase profits for third-party logistics. Due to the large number of small and medium-sized enterprises in China, financing problems are extremely common, which will still be huge in the future market. Active expand of new businesses can enable logistics companies to maintain stable in the fierce marketing competition. Related value-added services can help logistics companies gain operating profits and even increase to more.

3.2 Shortcomings

3.2.1 Limited funds

SF Express's current funds for supply chain finance are mainly self-raised. The first funds are the company's operating capital. Excessive occupation may endanger the normal operation of the company, not to mention that the small self-raised funds which are not suitable for development of large business; Credit granting can often bring relatively large amounts of capital, but its financing cost is relatively high. It is necessary to share profits with financial institutions when starting new businesses. The period of raising capitals is generally short. Once the capital turnover is not effective, it is easy for crisis in repayment to occur, even leading to bankruptcy and liquidation of the company; the second is to use capital financing in market. With SF Express listed through the A share, the stock price has risen all the way and SF Express became the largest company in the Shenzhen market. But there is still a risk of stock dilution and loss. Whether you can obtain lower financing costs and safer funds has become the most important issue for enterprises to consider.

3.2.2 Insufficient innovation

SF Express's supply chain finance still hasn't been away from the original operating logic, and it hasn't fully utilized its advantages. Logistics companies can not only focus on the whole supply chain, but also actively develop new financing methods with the help of new platforms such as the Internet and e-commerce to keep pace with the new trends of the industry.

3.3 Conclusion of SF Express

SF Express can carry out supply chain finance due to its perfect management system and advanced information management system. SF Express is outstanding from nearly 700,000 logistics companies in China and becomes a leading company with its complete management system and rich management experience. A good management system can greatly

reduce the loss of internal management, avoid the loss caused by the failure of control, and improve the operating efficiency. Secondly, from an operational perspective, supply chain finance promotes great integration across business areas. While developing supply chain financial services to earn additional income, it strengthens the original customers' preference, consolidates the main business, looks for stability and changes, and reduces the operational risks brought by the launch of new businesses.

From the perspective of the whole supply chain, this business increases the overall economic value of the supply chain and relieves the financing difficulties. However, there are still imperfect mechanisms for controlling risk, limited funding, and insufficient innovation. The potential of the logistics industry and the increasing financing needs still demand us to stop. The development of third-party logistics and supply chain financial services led by SF Express has become inevitable.