

JPMorgan Chase Supply Chain Finance Business Development Strategy Study

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Abstract: Supply chain finance is an organic combination of the logistics industry and the financial industry. The two promote each other and develop together. This paper focuses on the general steps of strategic research, puts forward the basic concept of supply chain finance, and analyzes the development status and main problems of JPMorgan Chase Bank's supply chain finance business. Through the construction of the SWOT model, the advantages, disadvantages, opportunities and challenges of JPMorgan Chase Bank's development of supply chain financial business are carefully studied, and the optimal strategy for the development of supply chain financial business is proposed. For the supply chain business in JPMorgan Chase's SWOT analysis model derived aggressive strategy, JPMorgan Chase's disadvantages and advantages in the global market have distinctive characteristics, such as an international competitive advantage and a mature product line, suitable for JPMorgan Chase to open the market quickly, while the lack of overseas advantages makes JPMorgan Chase must segment the market and implement differentiated competitive target customer selection strategies, etc.

Keywords: JPMorgan Chase, supply chain finance, SWOT analysis, risk control

1. Introduction

As an international bank with a leading market position in emerging markets, trade services and trade finance have always been the most important business areas and revenue sources for JPMorgan Chase. In the market, as one of the first banks to complete localization registration in the United States, JPMorgan Chase attaches great importance to the development of its global business, especially its trade business. In recent years, leveraging on the advantages of its international network as an international bank, JPMorgan Chase has made great efforts to develop trade services and trade finance, and has achieved rapid growth and significant market share globally.

Allen.N.Berger was the first to propose the concept of supply chain finance, and through the study of SME financing problems, he proposed that the supply chain is a combination of logistics and finance, i.e., "logistics finance" [1]. For JP Morgan's focus on supply chain finance "eastward", Fangming Gao believes that through advanced concepts, personalized solutions, and professional services, JP Morgan can use supply chain financial services to bring "chain" to Chinese companies [2]. On the other hand, in JPMorgan Chase's capital management field, Ye Jiwei pointed out that the field has been changing in the past two years, especially in the last few years, and the changes have been radical. In terms of general trends, because some of the regulatory approaches are part of the

reform, the whole trend of cross-border fund management is more convenient for JPMorgan Chase's needs [3].

However, due to the difference between the U.S. market and the global market and the limitation of internal product integration capability, there are few solutions tailored to its global needs. The purpose of this paper is to analyze the internal and external environment of JP Morgan Chase using SWOT analysis from the characteristics of supply chain finance business and find new strategies for the development of supply chain finance business. SWOT-based supply chain finance research can not only improve JPMorgan Chase's product offering and innovation, marketing capabilities, but also improve commercial asset quality and profitability.

2. Supply Chain Finance and SWOT Model

Timme proposed that there is an interrelationship between external financial service providers and all participants in the supply chain, and the production of each subject in the supply chain [4]. Timme suggests that there is a relationship between external financial service providers and all participants in the supply chain, and the production status of each player in the supply chain affects the other participants in the supply chain, and all participants can implement production for the overall goal of the supply chain, which is collectively called supply chain finance [4]. Hofmann points out that asset management usually achieves the goal of fixed asset reduction by reducing inventory, reducing the quantity of materials in transit, etc., while supply chain finance combines supply chain management with finance, replenishing the quantity of materials in transit and prepayments through order and debt processing [5]. According to Wuttke, the essence of supply chain finance is to reduce suppliers' financing costs by monitoring and optimizing the flow of funds in real time and by securing financial services such as advances and settlements [5].

SWOT analysis includes analysis of the strengths, weaknesses, opportunities, and threats of companies. Therefore, SWOT analysis actually analyzes the internal and external conditions in all aspects, comprehensive and general, and then analyzes the advantages and disadvantages of the organization, opportunities, and threats facing it.

3. SWOT Analysis of JPMorgan Chase

3.1. Strength

International competitive advantage: JP Morgan Chase has been operating globally for over 150 years and has rich experience in international trade finance. Its branches in various countries are managed by local talents with deep understanding of the regions, which can provide valuable advice and services for JP Morgan Chase's development overseas.

JPMorgan Chase has more than 1,000 branches in more than 60 countries and territories around the world, with leading market positions in emerging markets such as Hong Kong and Singapore. This is an international network advantage that most U.S. banks do not have. In fact, this international network advantage does not simply remain at the numerical level but is implemented and maximized in JPMorgan Chase's global business. For example, JPMorgan Chase can help clients handle trade with most countries in the world, and its import and export transactions can be handled internally with efficient transactions, easy communication, and special handling costs that other competitors (such as HSBC, East Asia, etc.) do not have. In supply chain transactions, JPMorgan Chase leverages its network to provide financial support for the extension of the supply chain of core companies in the supply chain [6].

In international supply chain finance, core enterprises are often in developed countries such as Europe and the United States. Due to JP Morgan's international leading position, many core enterprises are its customers; thus, when these core enterprises extend their supply chains to China,

they often choose exclusive supply chain finance solutions, which is an advantage that many competitors do not have.

Talent advantage: more than 70% of JP Morgan Chase employees in various countries are local talents; most of these talents have studied overseas, with work experience in overseas financing financial institutions, etc., which provides JP Morgan Chase with the advantage of a local development base for international banks [7].

Asset advantage: A large amount of assets can give importance and stability to the company's capital, and the company can invest anywhere in the world and get great returns. Moreover, a large amount of capital can be diversified into various areas, which can effectively reduce the risk of loss and strengthen the market position. JPMorgan Chase & Co is one of the largest banks in the world, with total assets of approximately \$2.5 trillion and \$247.6 in shareholder equity [8]. It achieved the financial targets set at the beginning of 2023, including optimizing assets and liabilities, improving capital allocation efficiency, reducing additional capital for global systemically important banks (G-SIBs) (from 4.5% to 3.5%) and reducing expenses [9].

3.2. Weakness

70% of JPMorgan Chase's revenue comes from the U.S. market, so it is overly dependent on the U.S. market, and any large changes in the U.S. market can have a great impact on JPMorgan Chase, so JPMorgan Chase does not have an advantage in the relationship with the core enterprises in the supply chain of each country [9]. Generally speaking, supply chain financial support for core enterprises requires a deeper understanding of the enterprise, and both parties must have many years of good cooperation. As an extension of the traditional credit relationship, the bank may establish a supply chain financial solution relationship with the core enterprises. The financial crisis in 2008 largely reduced the performance of JPMorgan.

3.3. Opportunity

Contraction strategies of foreign bank competitors: Many foreign banks have been severely hit by the financial crisis, and many banks such as Citi, Bank of America, Fortis and other traditional large European and American banks have seen different degrees of adjustment and strategic transformation in their business in various countries [10]. Since 2009, most European and American foreign banks, except HSBC, Standard Chartered and East Asia, have suspended or slowed down the opening of branches in various countries, which was rarely seen in the past years. This provides a good opportunity for JPMorgan Chase's development. In international business, due to the contraction strategies of many foreign competitors, JPMorgan Chase is taking advantage of this opportunity to build a more consolidated market share and business presence.

Financial center advantage: JPMorgan Chase branches located in countries with multiple financial centers with a unique ease of financing and trade convenience, can successfully obtain the benefits of low cost of overseas financing, while taking advantage of the convenience of offshore trade and the trend of the appreciation of the U.S. dollar, to obtain considerable exchange rate gains.

3.4. Threats

The narrowing overseas advantage gap: Internationalization advantage, or overseas advantage, has long been a competitive advantage for foreign banks. However, as global banking competition becomes increasingly fierce and many state-owned and joint-stock banks have successfully implemented overseas network or partner expansion in recent years, the traditional overseas advantage of foreign banks, including JPMorgan Chase, is narrowing. In terms of the overseas

advantages involved in the supply chain finance business, the gap between the overseas advantages of domestic competitors and JP Morgan Chase is narrowing.

With the above SWOT analysis, the author gives the following SWOT matrix(as shown in Table 1).

Table 1: SWOT matrix comprehensive analysis of JPMorgan Chase.

Internal Factors External Factors	Strength	Weakness
	International competitive advantage Talent advantage Asset advantage	International market disadvantage
Opportunity	SO	WO
Contraction strategies of foreign bank competitors Financial center advantage	Establishing a core market position in the foreign banking sector Leveraging overseas advantages to strengthen customer relationships with core foreign companies	Development of electronic trade to complement the international network
Threats	ST	WT
The overseas advantage gap is narrowing	Develop differentiated market strategies	Adjustment of pricing strategy

4. Supply Chain Finance Business Solution Strategy Development

According to the overall development strategy of JP Morgan Chase, to achieve the strategic development goals set by JP Morgan Chase of 30% overall growth, 50% growth in trade finance, and 100% growth in supply chain business, it is necessary to develop an aggressive business development strategy that is unique to each country of JP Morgan Chase and suitable for the rapidly developing environment of the national supply chain finance market. To build on its strengths and avoid its weaknesses, seize opportunities, overcome threats, and succeed in the emerging and increasingly competitive national supply chain finance business, JPMorgan Chase must choose specific strategic measures adapted to the market, taking into account the conclusions of its own SWOT analysis.

4.1. Strengthen International Advantage Strategy

JP Morgan's biggest competitive advantage lies in its international network and international experience, and these advantages determine that JP Morgan has advantages that other competitors do not have in the international supply chain finance business. First, international supply chain finance solutions are generally exclusive in nature, i.e., core companies will sign supply chain finance closure agreements with several banks, and this exclusivity requires financial services to be handled in the banks where the agreements are made, which also makes it difficult for other competitors to enter this field. Secondly, the international supply chain finance business is more mature, with standardized and mature operating rules and systems and convenient operation. Thirdly, in the existing international supply chain finance solutions, the higher credit rating of core enterprises determines that the cost of supply chain finance based on buyer's risk is lower than export financing based on seller's risk [11]. JPMorgan Chase should strengthen the competitive advantage brought by this advantage and accumulate product design and operation experience for its own supply chain finance business through the configuration of the global extension of the international supply chain.

4.2. Development of Core Business Strategies

Like other foreign banks, the core of JP Morgan Chase's business model in the market is "customer relationship", and in addition to "Transactional Banking", another core of the business model is "Relationship Banking". The core of supply chain finance is the core enterprise, and the advantage of JP Morgan Chase in international supply chain finance is also established on the customer relationship with the core enterprise, so in the domestic supply chain finance development strategy, the establishment and maintenance of the customer relationship with the core enterprise is also the most critical element.

Due to the constraints of the foreign banking system, JP Morgan Chase's construction of core enterprises in the global supply chain finance business is not very smooth, and the supply chain finance program requires the main cash flow of core enterprises to be tilted to supply chain banks, which is something JP Morgan Chase is unable to do now. Therefore, JPMorgan Chase's core enterprise strategy cannot be achieved overnight and requires its continuous promotion of cooperation. It starts from customers, goes deeper and deeper, meets customers' needs, builds stable customer relationships, leverages its strengths, designs suitable supply chain finance solutions for customers, and then expands from the core of the supply chain from the core to the outside.

4.3. Competitive Differentiation Strategy

Product homogenization is now the biggest problem in the banking industry competition. The result of homogenization is inevitable low-level price competition, and excessive price competition is undoubtedly not conducive to the healthy development of the market for an industry like the banking industry, which is based on risk-based pricing. Although supply chain finance is characterized by customization and differentiation to a certain extent, it is equally difficult to replicate.

When designing supply chain solutions, JPMorgan Chase has to base on the strategy of differentiation and competition to avoid product replicability as well as price competition. In addition to the price factor, the ability to design supply chain finance solutions that meet the needs of customers is also key to success. In the supply chain solution, there are actually many factors that customers consider. In addition to the issue of financial cost reduction, there are also the needs of extended billing periods, convenient transactions, improving the stability of upstream suppliers, reducing the risk of repayment from downstream vendors, beautifying financial statements, and even integrating financial management. The key to implementing a differentiated competitive strategy lies in understanding the customer's business, i.e, KYC and KYB (Know Your Customer and Know Your Business), and only on the basis of a full understanding of the customer's business can we develop targeted product solutions and implement a differentiated competitive strategy. In addition, JP Morgan Chase needs to have strong business and product portfolio capabilities to design product portfolios that are suitable for different clients based on the risk ratings and risk weights of different products.

5. Conclusion

By understanding the internal and external environment of JPMorgan Chase and analyzing it using the SWOT model, the strengths and weaknesses of its supply chain finance development in the global environment are derived, and aggressive strategies for supply chain finance, strategies for strengthening international advantages, strategies for developing core businesses and strategies for differentiated competition are proposed. Finally, combining various strategies, four recommendations are proposed: target customer identification, product business integration design, centralized solidification, and risk management. These strategies and measures not only screen the competitive environment of global supply chain finance development but also combine the characteristics of JP

Morgan Chase itself and its main competitors, which hopefully can be useful for the international supply chain finance business. The weakness of this paper lies in the analysis of the supply chain financial service model, which mainly lies in the analysis based on theoretical models. Future research will focus on the practicality of research issues. For example, the research on the most important parts of industry practice: contract design, risk assessment, dynamic monitoring, and early warning methods for supply chain financing participants.

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