Understanding the business model of PhonePe

PhonePe

Product Brief

PhonePe empowers individuals and businesses with a seamless, secure, and user-friendly platform for various financial transactions, fostering financial inclusion and economic growth.

Goal

To increase monetization from the PhonePe app without harming the user experience or burning cash while also addressing user needs and creating business value

Assumption : Infinite tech bandwidth.

How are user distributed India - wide

Audience is 74.31% male and 25.69% female. The largest age group of visitors are 25 - 34 years old. Age Distribution.

Source

Key Figures

- Founded : 2015
- PhonePe raises $100Mn in additional funding at a $12 billion valuation
- 47+Crore Registered Users
- 500+Crore Monthly Transactions
- 17+Crore Daily Average Transactions
- 16+ Crore monthly active users.

Customer Segment

- Individual Consumer
- Merchants and Businesses
- Online shoppers
- Travelers
- Investors

Competitors

G Pay

Paytm

Business Model Source

Working Strategy

- PhonePe Pre-Paid Instrument (PPI)
- PhonePe Gift Card (eGV)
- Mutual Fund Distribution
- Insurance Solicitation
- RBP (Recharge & Bill Payments)
- Merchant Payments (Switch Merchants)
- Digital Gold

Marketing Strategy

- "Har phone pe PhonePe hai" campaign
- Television advertisements
- Social Media Campaigns

Revenue Sources

- Mobile recharges
- UPI Incentive
- Mutual funds
- Digital gold

Value Propositions

- Friendly interface
- Wide Range of Services
- Security
- Interoperability

VISION To build India's largest transaction platform anchored on payments.

Source

MISSION To offer every Indian an equal opportunity to accelerate their progress by unlocking the flow of money and access to services.

What could be a App monetization mean

- **Merchant Services :** Offering premium services or features to businesses, including point-of-sale solutions, inventory management, or business analytics, etc
- **Premium Subscriptions:** Introducing premium subscription tiers with enhanced features, like more detailed transaction analytics, priority customer support, or exclusive offers.
- **Cross-Selling and Upselling :** Promoting other financial services, such as loans or credit cards, to eligible users and earning a referral fee or commission.
- **Cashback and Rewards :** Partnering with brands and businesses to offer cashback and rewards for users who make purchases or payments through the app. PhonePe can earn a commission from these businesses.
- **Advertisement and Promotions :** Partnering with advertisers and displaying relevant promotions, ads, or sponsored content within the App
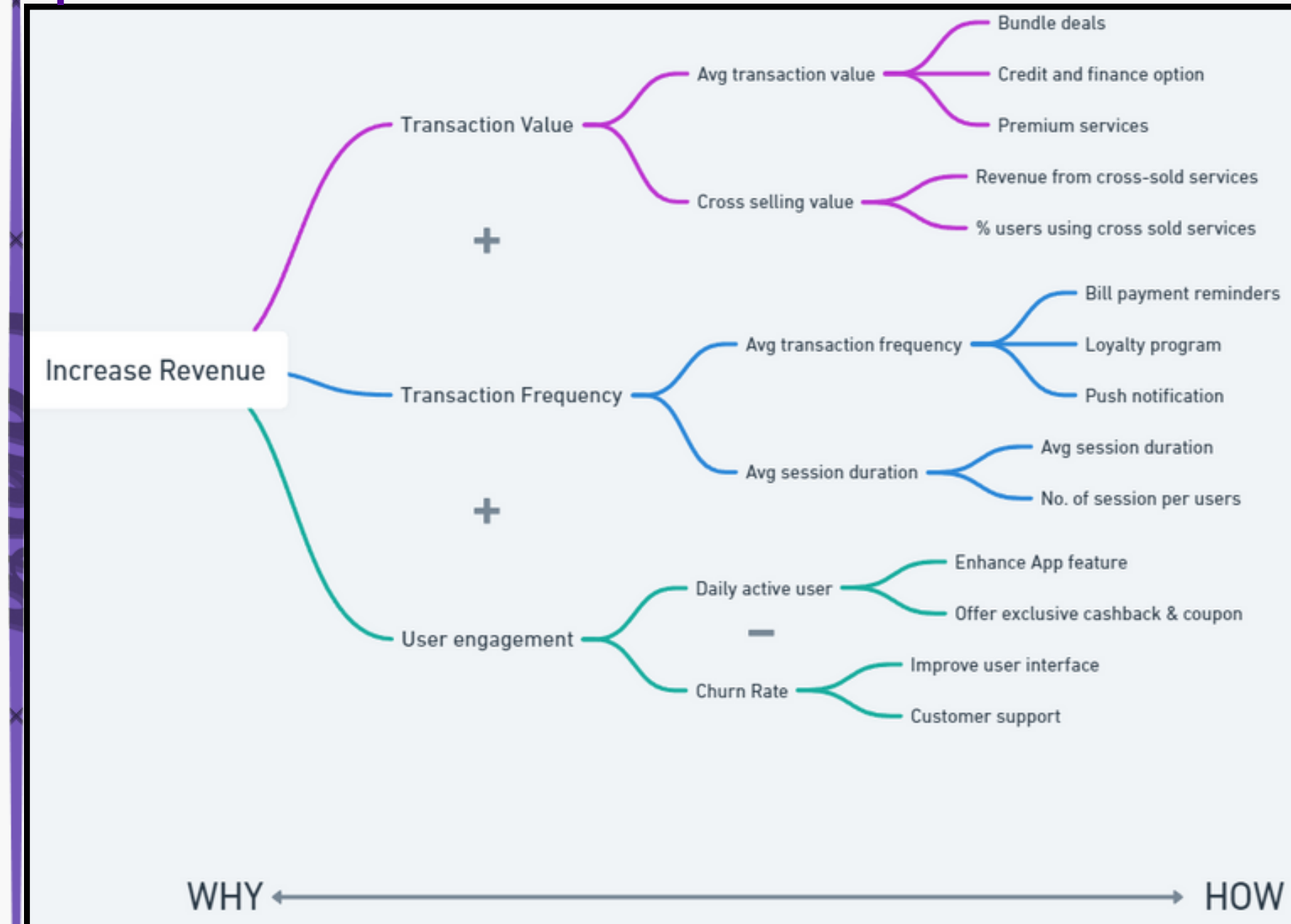
Which user segment and App monetization aspect should be focused on

Source

User Segment : Age between 18 - 34 PhonePe app user, Mostly are the working professionals who are the target users

App monetization aspect : Premium subscription

Mapping the given business outcome to the relevant product outcomes
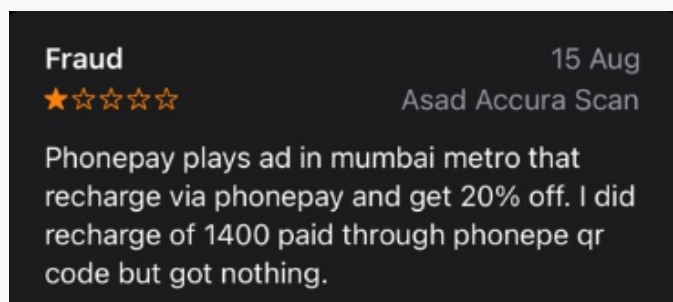

Source

Actors in the system

- Consumer
- Merchant
- PhonePe

Identifying the target user segment & their unmet needs through reviews & Survey

Increasing Monetization impact business model by
- Revenue Generation
- Profitability
- Customer Lifetime Value
- Market Expansion
- Cross-Selling Opportunities

Insights from user reviews

Fraud — 15 Aug — Asad Accura Scan
★☆☆☆☆
Phonepay plays ad in mumbai metro that recharge via phonepay and get 20% off. I did recharge of 1400 paid through phonepe qr code but got nothing.

Fraud company — 29 Jun — Mayur_Shinde
★☆☆☆☆
Fraud company. Selling wrong insurance and charging extra money. Then not taking responsibility. No response from support team. Worst experience.

Issue 1 :
No cash back and rewards
Impact : Cashback and rewards programs encourage users to engage with the app regularly. Without these programs, users might interact with the app less frequently.
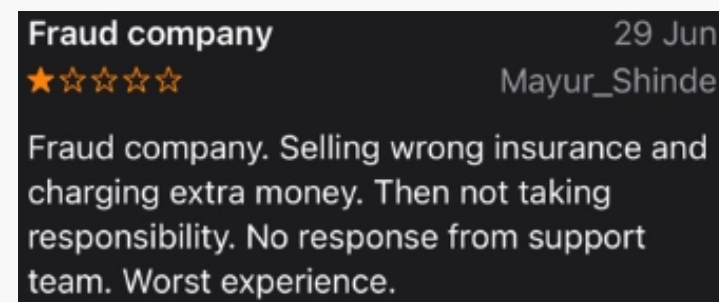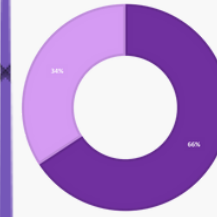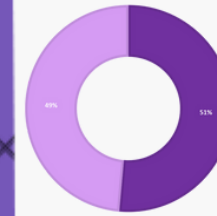
Issue 2 :
No proper financial services
Impact : Users may become dissatisfied if they expect to access financial services through the app but cannot find the necessary offerings. This can result in a poor user experience and potential attrition.
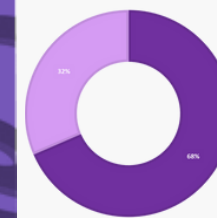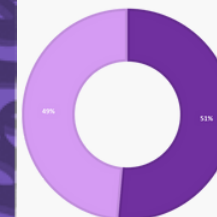
Insights from user Survey

- 66 % are users in the age group 25-34 which makes the majority, this suggest that working professional are the primary target users
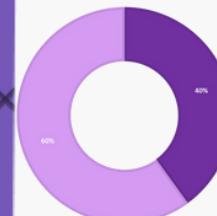- 51% of users are not actively using PhonePe App for digital payment, this indicates user might have alternative apps for there digital transaction or they have security concerns
- 68% of users are using PhonePe app for Bill payment, Online shopping, Mobile recharge, This indicated the user haven't explored the App may be because of lack of awareness
- 52% of users are dont find applealing cashback and coupons in PhonePe App this has negative impact on user engagement.
- 40% of user don't track there expense and spend without realizing when using UPI payment this is because PhonePe does not offer any expense tracking feature

Pain Points/ Unmet needs
- Complex user Interface
- Payment failure issue
- Safety concern
- Lack of proper cashback and rewards
- Lack of customer support

Validating problem through user interview (Merchant)

Source

Merchant demographic :
Age group : Mostly merchant are between age 30-50
Gender : All the interviewed merchant are male

Satisfaction:
Loyalty score : On the scale of 1-5 for PhonePe app, Average is approximately 4.3 for smooth payment process.

Challenges faced by merchant in the PhonePe app
- Merchants may experience delays in receiving funds from digital transactions. These delays can impact their cash flow and ability to pay suppliers or cover business expenses promptly.
- Depending on the specific pricing structure, merchants may find the transaction fees associated with digital payments relatively high, affecting their profit margins.
- Handling customer refunds and resolving payment disputes can be complex and time-consuming for merchants, requiring clear processes and support from the platform.

User Persona (Consumer)

Name : Argho Ganguly
Age : 26
Occupation : Associate Lead
Location : Pune
Needs and Goal :
- Platform to track and analyses my spending habit
- Secure platform to store my personal banking data.

Pain Points:
- No relevant coupons and cashback.
- Failed transaction or delayed in processing payment

User Persona (Merchant)

Name : Murli
Age : 48
Occupation : Shopkeeper
Location : Bangalore
Needs and Goal :
- Aims to simplify his record-keeping and accounting processes.
- user-friendly interface

Pain Points
- Delay in Processing payemnts.
- High transaction fees

Defining the true problem and why it should be solved

What is the true problem

The core issue is that the users is unable to track there expense and spend without realizing when using UPI payment this is because PhonePe does not offer any expense tracking feature or financial planning tool.

Who are the customer facing the problem

User between age group 18-34 year of age group who are primary users of PhonePe app are facing this issue

How do we know it is real problem

40% of users dont track there expense and they don't have find any financial planning tool or financial advisor

What is the value generated by solving this problem

For the target Consumer
- Better Financial Choices
- Improved Financial Literacy
- Enhanced Trust
- Improved User Experience

For the Business
- Increase user loyalty
- Monetization Opportunities
- Brand Reputation

Why should we solve this problem

- **Financial Literacy:** By addressing the needs of users who may not have financial knowledge or guidance, you can help improve their financial literacy. This can empower them to make more informed financial decisions.
- **Expanding User Base:** By catering to a wider audience, you can attract new users who may not have previously considered using the app for financial management.
- **Trust Building:** Providing tools and resources for financial management can build trust and credibility with users, as they see the app as a valuable resource for their financial needs.
- **Monetization Opportunities:** As users become more financially aware and engaged, there may be opportunities to introduce additional financial services or products, creating potential revenue streams.
- **Data-Driven Insights:** Gathering data on user spending and financial behavior can provide valuable insights. PhonePe can use this data to offer personalized financial services and recommendations, improving user engagement and revenue potential.

Ideating possible solution

Expense Tracking Feature

Mechanics:
- Users can link their bank accounts to the UPI app.
- Users can set budgets and categories for tracking.
- Real-time notifications for reaching spending limits.

Benefits:
- Simplifies expense tracking for users &Provides real-time insights into spending.
- Helps users stick to their financial goals &Encourages responsible spending habits.

Risks:
- Privacy concerns & Technical challenges
- User resistance to sharing financial data.

Financial Advisory Services

Mechanics:
- Integrate a virtual financial advisor & chatbot.
- Provide personalized financial guidance and spending recommendations & Offer insights based on user transaction history.

Benefits:
- Users receive tailored advice for managing their finances.
- Guidance on optimizing spending and savings.
- Enhanced user engagement and loyalty.

Risks:
- Accuracy and reliability of financial advice.
- Users may not trust automated financial recommendations.

Transaction History Analytics

Mechanics:
- Enhanced transaction history section with analytics & Graphical representations of spending patterns.
- Option to view monthly, quarterly, and yearly summaries with User-friendly data visualization.

Benefits:
- Helps users understand their spending patterns.
- Encourages better financial decision-making & Facilitates long-term financial planning so it will increase cross selling of financial product.

Risks:
- User resistance to change and adopting analytics.
- Potential information overloaded for some users.

Choosing the right solution

Prioritization of solution

Parameters	Expense Tracking Feature	Financial advisory services	Transaction history analytics
Reach	4	2	4
Impact (on Users)	4	5	4
Confidence	3	3	4
Effort	3	4	3
RICE Score	4 x 4 x 3 / 3 = 16	2 x 5 x 3 / 4 = 7.5	4 x 4 x 4 / 3 = 17.33 ✅

Detailed prioritization (scale 1 very Low - 5 Very High)

Expense Tracking Feature
- **Reach 4** Many users may benefit from this feature who want to track there expenses
- **Impact 4** High impact on users to manage their finances better, leading to positive financial outcomes.
- **Confidence 3** There's moderate confidence in its success, given the need for accurate tracking and user engagement.
- **Effort 3** Developing an expense tracking feature requires moderate effort and resources.

Financial advisory services
- **Reach 2** Limited reach, as not all users may seek or benefit from financial advisory services.
- **Impact 5** High potential impact as it provides personalized financial guidance and recommendations.
- **Confidence 3** Moderate confidence, as the effectiveness of advisory services depends on various factors.
- **Effort 4** Developing and maintaining financial advisory services can be resource-intensive.
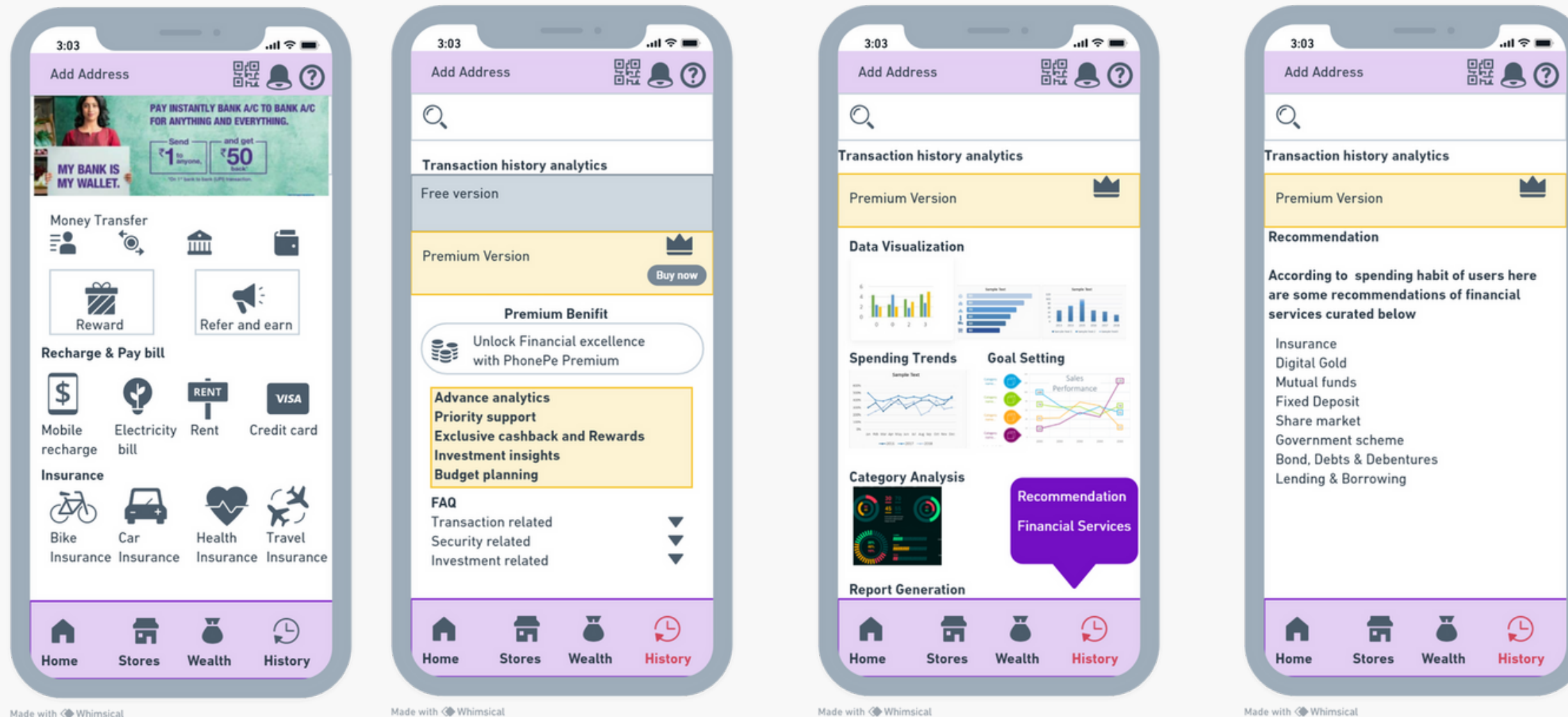
Transaction history analytics
- **Reach 4** Many users access transaction history and could benefit from improved analytics.
- **Impact 4** Improved analytics can lead to better financial decision-making.
- **Confidence 4** Confidence is relatively high, as transaction history analytics is a well-established feature in fintech apps.
- **Effort 3** Developing transaction history analytics would require moderate effort.

Wireframing the right solution :

The success of a premium subscription model in generating revenue depends on how well it aligns with user needs and preferences, as well as the continuous delivery of high-quality features and services. It's essential to balance the free and premium versions of the analytics tool to maintain user satisfaction and encourage conversions to the premium subscription.
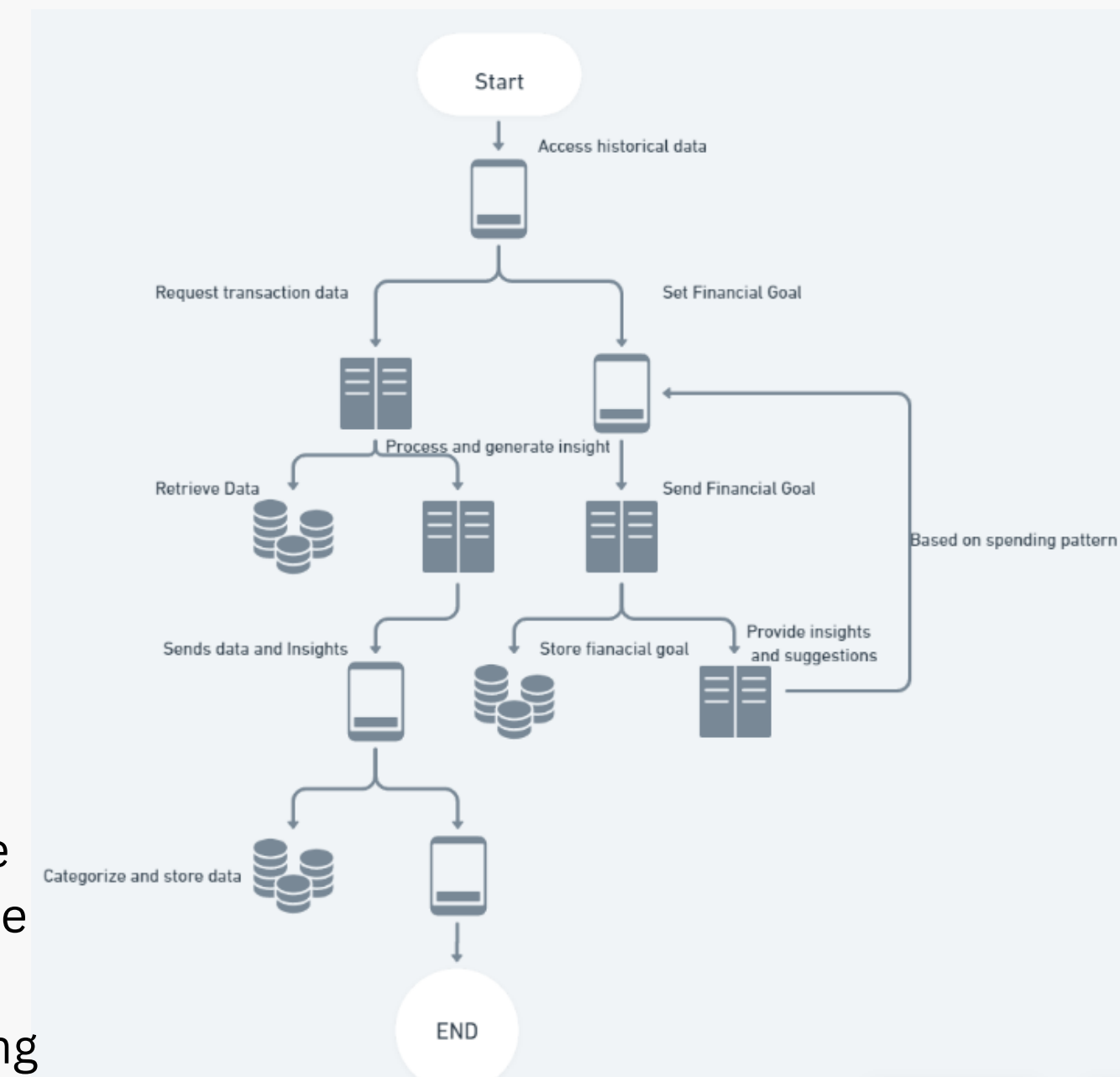
Wireframing

System Design

- Open PhonePe app and you land on the Home Screen
- Choose History for checking transaction history analytics

- Click free version if you don't want premium services & click on Premium version for premium transaction history analysis

- By purchasing premium services you will able to see transaction history analytics and analyze your spending habit, set financial goal

- Once you analyze now you can make proper financial decision according to your needs and recomendation

Metrics

North start
- The number of users actively engaging with the transaction history analytics tool.

L1 Metrics
- The percentage of users who have adopted the new analytics tool by accessing it at least once.
- The percentage of users who initiate specific actions within the tool, such as generating detailed transaction reports Or setting financial goals.
- The average time users spend within the analytics tool during a session. Longer sessions may indicate deeper engagement.

L2 Metrics
- How deeply users engage with the tool by tracking the number of features and insights they explore during each session.
- Calculate the churn rate for users who have disengaged with the analytics tool to understand why some users stop using it.

Pitfall and Mitigation

User Privacy:
Pitfall: Collecting and analyzing transaction data could raise privacy concerns.
Mitigation: Ensure strict adherence to data privacy laws and regulations. Implement robust data encryption, anonymization, and user consent mechanisms. Communicate clearly about data usage in privacy policies and gain user consent.

Incomplete User Adoption:
Pitfall: Users may not fully adopt the analytics tool, leading to underutilization.
Mitigation: Offer user onboarding, tutorials, and in-app guidance to encourage adoption. Continuously collect user feedback to identify and address barriers to adoption.

Second order thinking

Long-Term Value: Consider the long-term value that the analytics feature can bring to both users and the business. Will it enhance users' financial well-being and lead to increased app loyalty over time

User Adoption and Engagement: : Beyond the initial rollout, consider how the analytics feature may affect user adoption and engagement with the PhonePe app. Will users become more active and engaged, or could the feature overwhelm some users?