Groww

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High Fees,Low Transparency: The Credit Card Challenge

1. Problem we are trying to solve: High fees and lack of transparency in credit card services discourage people from using credit cards and limit their financial freedom.

This is mainly because of:

- **High Interest Rate:** The high interest rates charged on outstanding balances in India result in cardholders paying significant amounts in interest over time, creating a financial burden.
- **Complex Credit Card Agreements:** Credit card agreements in India often use legal language and fine print, making it hard for average consumers to understand.
- **Complex Fee Structures:** intricate fee structures, involving annual fees, interest rates, late payment charges,making it challenging for consumers to understand the true cost of using credit cards.
- **Hidden Costs:** Indian credit card companies may employ practices that lead to hidden costs, such as applying penalty APRs, imposing over-limit fees, and changing terms and conditions with minimal notice.

2. Customer Segments Affected by Credit Card Issues:

- **Small Businesses:** Small business owners, who rely on credit card transactions, can experience **profit margin challenges** due to **high swipe fees**.
- **Income Levels: Lower-income individuals** often bear a disproportionate burden of credit card fees and interest charges, impacting their overall financial health.
- **Frequent Travellers:** Consumers who travel frequently can incur substantial **foreign transaction fees** when using credit cards abroad.

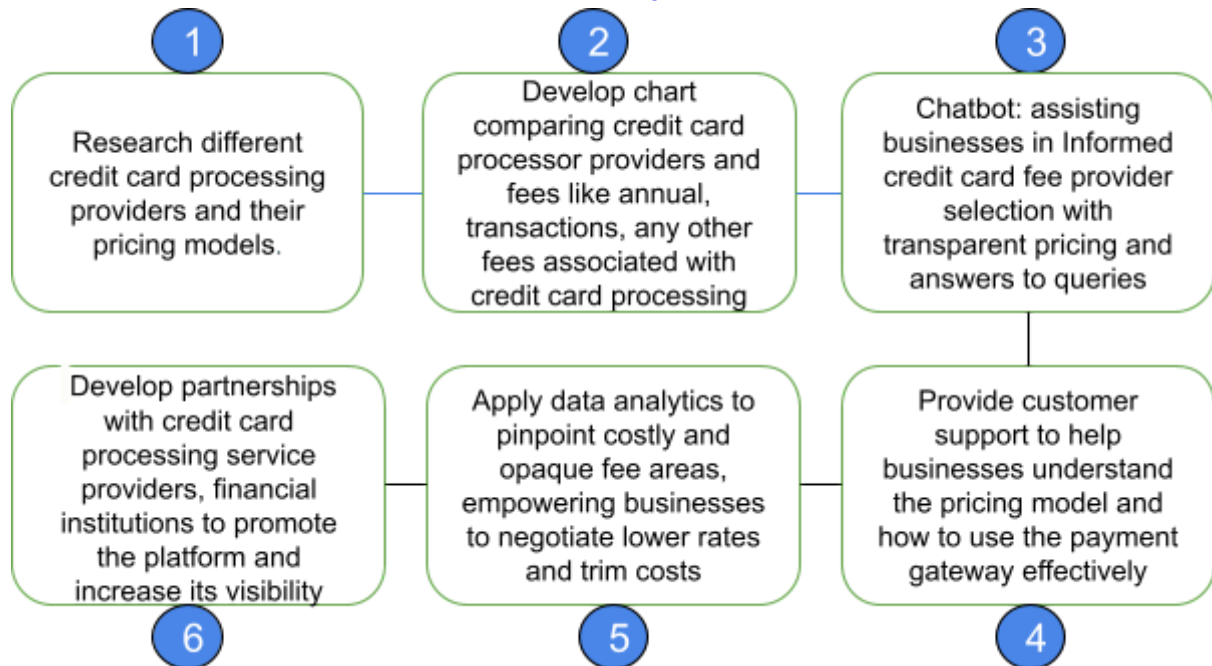**3. Credit Card Trends and Implications in India - Data Insights**

- Portfolio outstanding for credit cards in India was **INR 1,24,390 crore** in Dec, 2019
- The number of credit cards in use in India was forecast to continuously increase between **2024** and **2028** by in total **2.6 million cards** (**+6.07%**)
- **Swipe fees** for **Visa** and **Mastercard credit cards** average **2.22%** of the transaction, but they can be far higher for small merchants because they are based, in part, on transaction volume
- Credit card swipe fees have more than **doubled** over the last decade, hitting a record **$160.7 billion** in **2022**

The above data clearly shows the lack of transparency in credit card payment processing fees which lead to higher costs for consumers and businesses, making it difficult for consumers to compare prices and shop for credit cards.
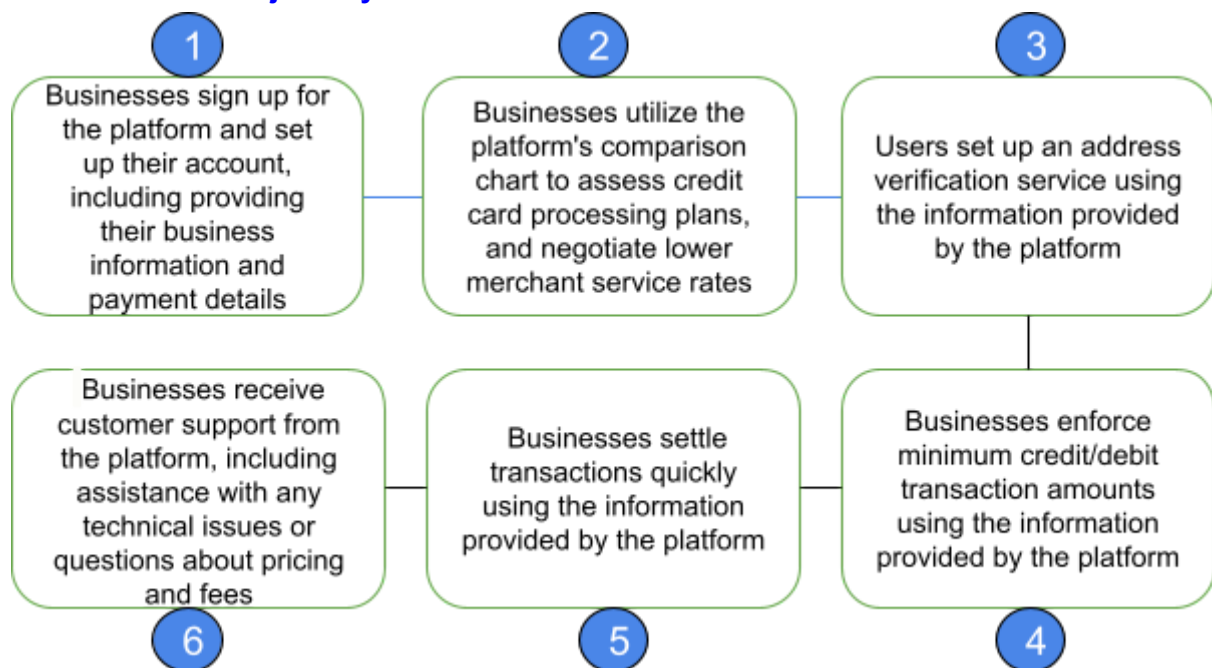
4. Designing Solution:

Developing a platform that offers fee comparison, negotiation tips, evidence for low risk, and providing transparent pricing for credit card processing fees, allowing businesses to easily compare fees across different providers.

Steps to develop a credit card fee transparency platform:

1
Research different credit card processing providers and their pricing models.

2
Develop chart comparing credit card processor providers and fees like annual, transactions, any other fees associated with credit card processing

3
Chatbot: assisting businesses in Informed credit card fee provider selection with transparent pricing and answers to queries

6
Develop partnerships with credit card processing service providers, financial institutions to promote the platform and increase its visibility

5
Apply data analytics to pinpoint costly and opaque fee areas, empowering businesses to negotiate lower rates and trim costs

4
Provide customer support to help businesses understand the pricing model and how to use the payment gateway effectively

Flowchart for user journey:

1
Businesses sign up for the platform and set up their account, including providing their business information and payment details

2
Businesses utilize the platform's comparison chart to assess credit card processing plans, and negotiate lower merchant service rates

3
Users set up an address verification service using the information provided by the platform

6
Businesses receive customer support from the platform, including assistance with any technical issues or questions about pricing and fees

5
Businesses settle transactions quickly using the information provided by the platform

4
Businesses enforce minimum credit/debit transaction amounts using the information provided by the platform

How do these features benefit both businesses and consumers?

1. Businesses can use the platform to compare different credit card processing plans and fees, negotiate for lower merchant service rates, and show evidence that they are at low risk of credit card fraud.
2. Consumers can use the chatbot to ask questions about credit card processing fees and get transparent pricing information, helping them make informed decisions about which credit card to use and how to avoid excessive fees.

5. Measuring Success:

User Engagement:
- # of users accessing payment gateway
- # of pages viewed by users
- Average time user spend on platform

Conversion Metrics:
- # of users who register or sign up for platform's services
- Analysing CTRs for calls to action (CTAs) that encourage users to take specific actions

Chatbot Performances:
- % of average response time of the chatbot in addressing user queries
- Collect feedback on the chatbot's performance through user surveys or rating systems

Market Share and Industry Recognition:
- Monitor the market share of your platform compared to other solutions in credit card industry

Long-term Impact:
- Over time, measuring the financial health of users by assessing their credit card debt levels, credit scores
- Consumer cost reduction

6. GTM Strategy:

A. Pre Launch -
- Market Research - Identifying market needs and potential competitors
- Platform Development- collaborating with team of developers and designers
- Regulatory Compliance- platform complies with regulations,security standards
- Train platform by dogfooding and test on focus groups

B. Launch -
- Preparing and checking all functionality
- Launch at small scale to test and improve
- Market the product through social media and advertisements
- Track the adoption and takes action accordingly

C. Post Launch -
- Get feedback from users to understand any issues/ scope of improvements
- Track all metrics carefully and identify bottlenecks
- Work on further updates and keep rolling them out when ready

7.Challenges:

- **Inadequate Marketing** - If the platform is not promoted well, potential users may remain unaware of its existence
- **Lack of Trust by Users** - If the platform lacks credibility or transparency itself, users may not rely on it.
- **Resistance from credit card processing service providers** - companies may resist efforts to provide more transparency or negotiate lower fees
- **Regulatory challenges** -If the platform does not comply with regulatory requirements or faces legal challenges, it could limit its effectiveness and adoption