Phone Pe

Product Strategy

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CASE BACKGROUND

You've been onboarded as a product consultant for **PhonePe** a product that is similar to GooglePay in terms of features and offerings. As a strategic decision maker, you have to work towards building a USP for your product.

You must submit the following 2 parts –

PART 1: Research doc

Here, you have to recommend a strategy based on your research (qualitative and data insights to back it) wrt the product offering to set yourself apart with a Unique Selling Proposition (USP) for end customers. You have to prepare a document on market research. And for your competitors, list down their -
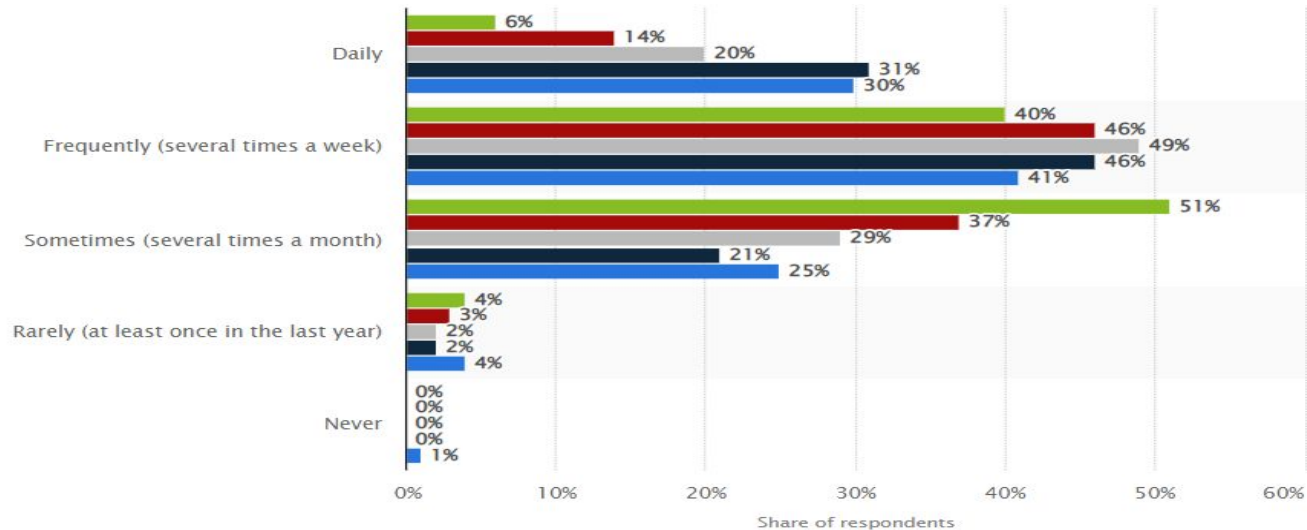
1. Product Strategy / Vision
2. Target Group(s) / Minimum Viable segment(s)
3. Environmental Factors
4. Differentiators

PART 2: Business model doc

You have been tasked with creating a 1-year revenue estimation. Make sure you provide all calculations underlying your assumptions in as much detail available to you.
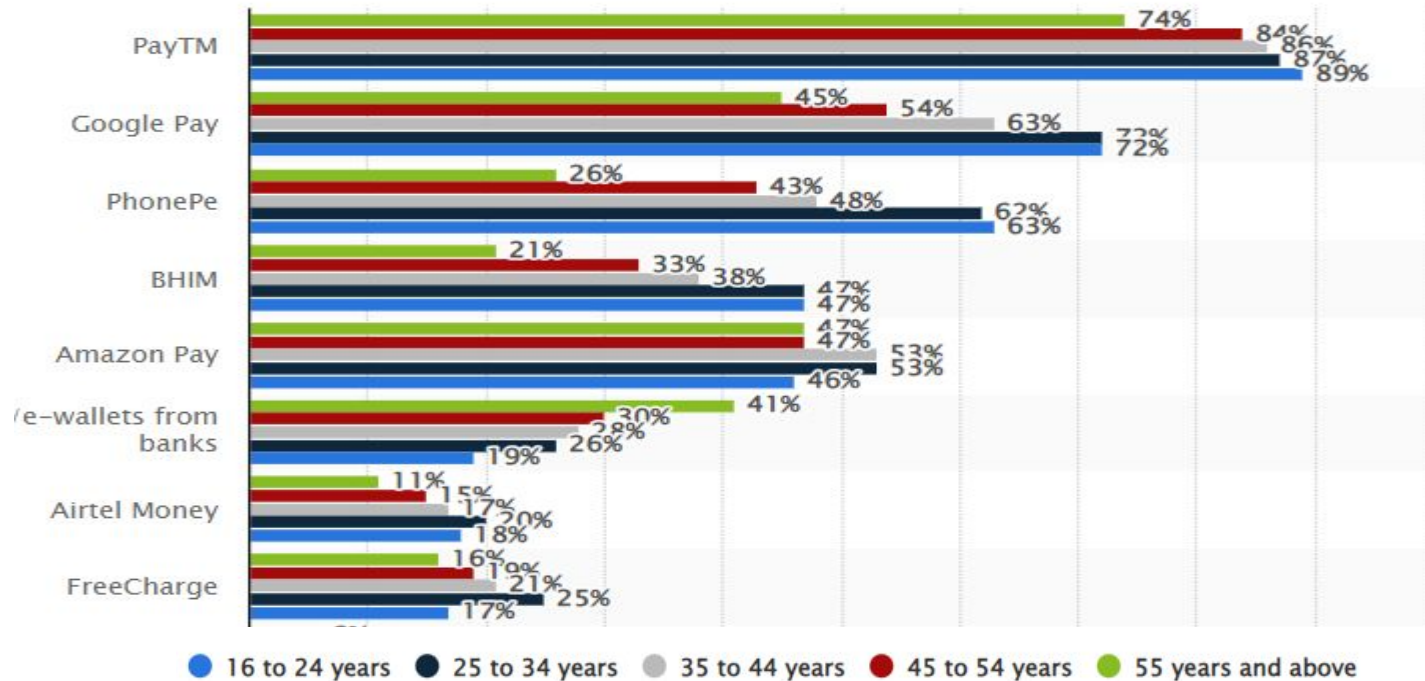
Research and Findings

Digital Payment adoption is very less and not frequent for people above 35 Years

Chart showing "Share of respondents" by frequency of digital payment use across age groups:

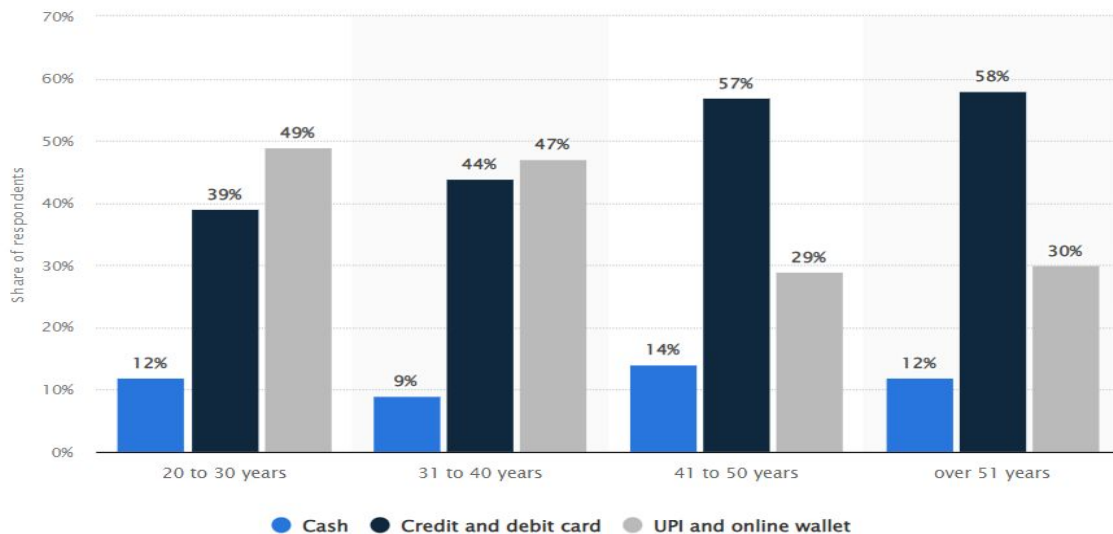| Frequency	16 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 years and above
Daily	30%	31%	20%	14%	6%
Frequently (several times a week)	41%	46%	49%	46%	40%
Sometimes (several times a month)	25%	21%	29%	37%	51%
Rarely (at least once in the last year)	4%	2%	2%	3%	4%
Never	1%	0%	0%	0%	0%

Research and Findings

PhonePe has lower preference rate as compared to paytm and google pay for all age groups, and it is drastically low for old people

	16 to 24 years	25 to 34 years	35 to 44 years	45 to 54 years	55 years and above
PayTM	89%	87%	86%	84%	74%
Google Pay	72%	72%	63%	54%	45%
PhonePe	63%	62%	48%	43%	26%
BHIM	47%	47%	38%	33%	21%
Amazon Pay	46%	53%	53%	47%	47%
e-wallets from banks	19%	26%	28%	30%	41%
Airtel Money	18%	20%	17%	15%	11%
FreeCharge	17%	25%	21%	19%	16%

Preferred payment method based on age
People above 40 years prefer card based payments

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Additional Information

Show source

Competitors

Competitor	Google Pay (Direct)	Paytm (Direct)	Prepaid Cards Slice, Unicard etc. (Indirect)
Product Vision/ Strategy	Google Pay highest priority is to let customers and businesses make more secure transactions with merchants with rewards	Mission to bring half a billion Indians into the mainstream economy through payments, banking, commerce, trading, investments, and shopping	Payments made easy, enables splitting payments into interest less EMI options and clear live tracking of transactions with rewards
Target Group	Age groups 18-45, people who want to send UPI payments	Age groups 18-65, people who want a complete feature application and wallet	Age groups 18-35, simplified payments with great rewards and payback emi options
Pros	Simple UI, Effortless peer to peer transaction, **NFC based wireless payments**	Wallet Support, Banking Support, **Spend Analytics**, Bill payments, Bookings etc	Simple UI, 0% EMI options, **Best in class rewards**
Cons	No wallet option, Bank transfer	Cluttered UI, too many options	Does not support small transactions on swiping machines

Competitors

Competitor	Google Pay (Direct)	Paytm (Direct)	Prepaid Cards Slice, Unicard etc. (Indirect)
Environmental Political	NPCI is expected to allow transaction charges for UPI Payments	NPCI is expected to allow transaction charges for UPI, threat of chinese investors	RBI push on Chip based cards
Environmental Economic	Rapid growth in Digital Payments	Rapid growth in Digital Payments, Failure of Paytm at IPO	Slice Valued at 1BN $ and raised 20MN $ recently
Environmental Socio-Cultural	Huge change in customer behavior and adoption of digital payments	Huge change in customer behavior and adoption of digital payments	Easy to access, entry credit card for post millennial population
Environmental Technological	Launch of NFC based payments	Paytm Voice Box with paytm tune that gives instant notification, Paytm First	Easy tap to pay,
Differentiators	NFC Based Complete Contactless payments, reduced fraud	Paytm Mall, Wallet Adoption	Ease of usage and No interest EMI options

User persona

Rahul - Student
Age 16-24

Rahul does a lot of his daily transaction on UPI, but he is not happy with failure rates of UPI based txns and obsolete rewards, an NFC based transaction will ensure maximum success rate and security.

Karan - Professional
Age 25 - 45

Karan likes to keep track of money, he hates to wait in line for ordering food in office and payment. A spend analyser will definitely help him understand the expenses and NFC based payment will reduce time.

Suresh - Retiree
Age 55+

Suresh is not very tech savvy and mostly prefers credit cards, NFC based payments enables him to use his existing card at no extra charge and earning better rewards

Key Insights

- Customers with 45+ age transact very less often using digital payment solutions as compared to younger generation population
- Paytm and Google Pe has better adoption for age group of 45+, in case of paytm almost 2X engagement can be observed in the segment.
- For Older generation more adoption towards Card based payments can be observed.

Hypothesis

- Customers with age 35+ find it difficult to engage with UPI based payments because of technical sophistication or Over dependency on credit cards. (For younger generation the adoption of Credit cards is increasing rapidly, which can be utilised for NFC)
- Customers prefer to keep track of their payments so to track their money.

USP

- NFC based Card less and Hassle free payment through Payment *(Gives the ability of integrate with existing credit card users and NFC provided best security for transactions, large amount of merchant fraud transactions can be prevented)*
- Card payments will help the brand in provide continuous rewards unlike the scratch cards provided by UPI based payments *(Later on customers can pay credit card bills)*
- Monthly Spend Analytics to indicate the flow of money and improve customer engagement, Value added services always proved to help in improving stickiness of customer

Challenges

- Building a new feature for NFC based card payments
- Partnering with Credit cards
- Building merchant side tech for accepting Payments
- Peer to Peer transactions becomes challenging because of commission fees
- Attractive and yet simple dashboard for spend analytics needs to be build

Guesstimate - Steps / Assumptions

- Considered age wise census data for age wise population and considered 30% of the population to be in Urban
- Considering only certain people do digital transactions (Urban 70% and Rural 50%)
- Next I have considered weekly transactions based on statistics and reality based on age for both urban and rural population (30% of urban transactions)
- Now I have calculated yearly transactions
- Assuming phonepe has 35-30% market share in transactions
- Now I have assumed that 5-10%of overall transactions for NFC based payments
- Now I have considered that 1rs of txn fee is charged on merchant end.

144 Cr of revenue is estimate from adoption of NFC based payments

Revenue Estimation

Total Population 140 Cr

Age	%	Population	Urban	Rural
16-24	18%	25	8	18
25-44	27%	38	11	26
45-64	14%	20	6	14
65+	5%	7	2	5

Urban							
Age	Population	Probable Population @70%	Expected weekly digital transaction	Yearly txns	PhonePe share at @35%	NFC Payments @10%	Charging 1 Rs per Txn
16-24	8	5	3.0	826	289	29	29
25-44	11	8	5.0	2,064	722	72	72
45-64	6	4	2.0	428	150	15	15
65+	2	1	1.0	76	27	3	3

Rural							
Age	Population	Probable Population @50%	Expected weekly digital transaction	Yearly txns	PhonePe share at @30%	NFC Payments @5%	Charging 1 Rs per Txn
16-24	18	9	0.9	413	124	6	6
25-44	26	13	1.5	1,032	310	15	15
45-64	14	7	0.6	214	64	3	3
65+	5	2	0.3	38	11	1	1