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Developing a Competitive Strategy for Chime in the Mobile Financial Services Industry of Asgard

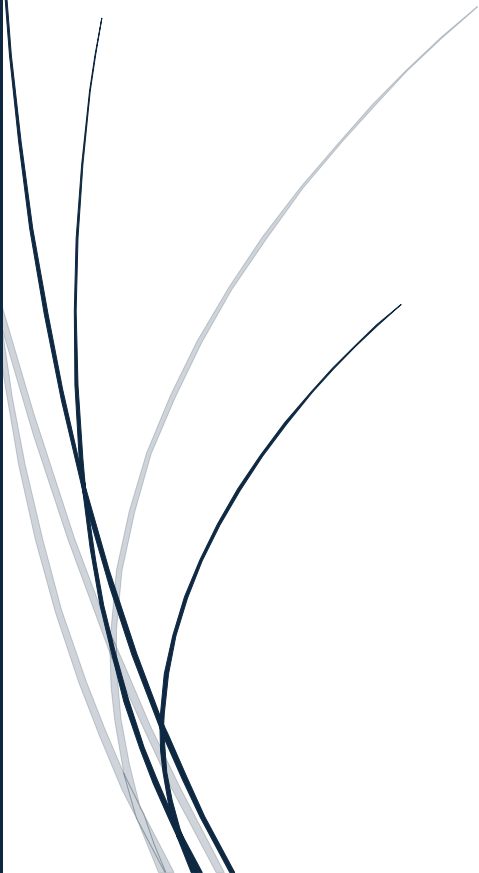
Submitted to:

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Response to the task of part (A)

Subject: Meeting Preparation - Key Questions for Strategy Discussion

Hi Mr. Castle,

I hope this message finds you well. Before our meeting, my team and I have identified a few key areas where your insights will play a pivotal role in shaping Chime's strategic approach. We have three important questions to discuss. Your expertise and vision will help us create a solid strategy that can significantly impact Chime's future.

1. Market Dynamics and Competitive Positioning:

- Given the recent policy changes and SnapTap's growing dominance in the G2P space, we are interested in your perspective on how you see the competitive landscape in the MFS sector changing.

2. Strategic Priorities and Innovation:

- What strategic initiatives should Chime prioritize to maintain and improve its market leadership in the future? What innovative service lines or technological advances do you want to try?

3. Challenges and Opportunities:

- Identify the top challenges Chime is currently facing. Conversely, what opportunities will drive growth and financial inclusion?

We greatly value your thoughts and advice on these topics, given your extensive experience in the industry. I appreciate your time and consideration.

Best wishes,

Ahmed Eshtiak

Business Analyst

LightCastle Partners Ltd.

Response to the task of the part (B:1)

Key competitors in Asgard's Mobile Financial Services (MFS) industry are competing to grab and expand market share amid rapid digitalization and changing consumer expectations. Chime, SnapTap, PayUp, and MaxPay dominate Asgard MFS. These companies each bring unique assets and difficulties to the competitive landscape:

Chime, an affiliate of Rolling Stones Bank Ltd., pioneered the MFS industry and emerged as the first MFS provider in 2011. Its dominance, with a 35% market share, is a testament to its early success. Chime's user-friendly software and extensive agent network were instrumental in building a large user base. The entry of SnapTap in 2018 prompted Chime to make significant investments in its services and infrastructure to maintain its competitive edge.

SnapTap, launched in 2018 by Asgard Post Office, gained traction in the Government-to-Peer (G2P) payments industry due to its government affiliations. It handles 75% of G2P transactions and leverages government contracts, such as the distribution of stimulus grants during the COVID-19 outbreak, to its advantage. This strategic positioning allowed SnapTap to amass market share swiftly.

Though not as prominent as Chime and SnapTap, PayUp has made a mark in the market with its innovative payment options and strategic partnerships with businesses. Its rising market share is a testament to its use of technology to simplify payments, a strategy that holds promise for its future growth. MaxPay, the smallest of the four, MaxPay targets underserved rural communities. It attempts to increase financial inclusion by making remote financial services accessible. **The Market Share Dynamics**

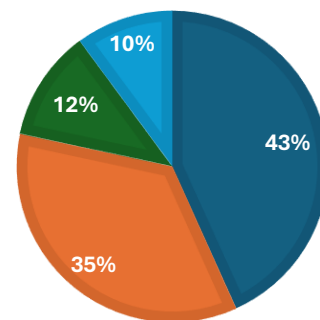
With its early mover advantage, Chime dominated the market. SnapTap's aggressive launch and effective government relationships have reduced Chime's market share, balancing the competition. SnapTap's G2P payments and revolutionary e-KYC platform have driven its market position. After years of deficits, Chime has returned to profitability, but SnapTap's rapid development challenges it. Everyone is trying to innovate and gain market share in the increasingly competitive economy.

Customer Preferences

In Asgard, 180 respondents voted Chime the best Mobile Financial Service (MFS) for online purchasing, reflecting its 35% market share. With 146 respondents, SnapTap shows its rapid development due to government affiliations and G2P payments. PayUp and MaxPay remain market leaders with 48 and 42 responses, respectively. According to these statistics, Chime and SnapTap dominate, while PayUp and MaxPay specialize. As digital adoption and rules change, Asgard's MFS market will change.

PREFERRED MFS FOR ONLINE SHOPING

■ Chime ■ SnapTap ■ PayUp ■ MaxPay



Market Forecasts

Asgard's central bank's quest for bank-MFS account interoperability is expected to impact the competitive landscape. This policy may enhance transaction volumes and MFS provider collaboration, changing market dynamics. From December 2018 to March 2023, MFS transactions and sums increased steadily. The market is growing and could develop further as digital penetration rises.

Addressable Market Size

Asgard's MFS market is significant. With 196.8 million MFS accounts and 90% mobile phone coverage, growth is possible. The young, tech-savvy population of Asgard promotes this growth.

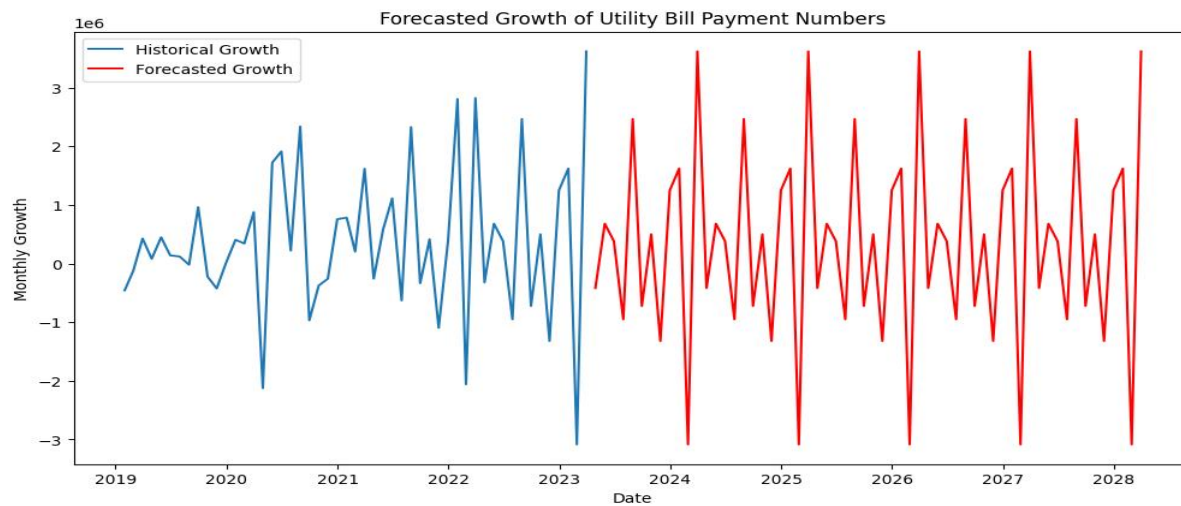
Conclusion

A few prominent competitors compete fiercely in Asgard's MFS industry, using their strengths to gain market dominance. SnapTap has been invading Chime's domain as the leading competitor. Digital adoption, regulatory backing, and financial services innovation will boost growth.

Response to the task of the part (B:2)

The Utility Bill Payment service experienced massive growth from December 2018 to March 2023. The entire growth rate is 777.13%, with a CAGR of 68.5%. Utility Bill Payment is expected to exceed other service lines in the next years due to rising digital payment uptake and utility provider acceptance of digital transactions.

To determine which service line is likely to expand the most in the next five years, the Autoregressive Integrated Moving Average (ARIMA) was constructed in Python. MFS utility bill payment showed the most significant potential.



The chosen ARIMA (0,0,1)(0,1,0)[12] model for utility bill payment growth data prioritizes recent trends over long-term patterns. With no autoregressive component and one order of moving average, it heavily depends on recent past values. Its inclusion of seasonal differencing suggests a yearly seasonality. This model's simplicity makes it ideal for short-term forecasting. The ARIMA model and simple percentage change calculation show that the total growth percentage over the forecasted five years is 1289%.

The future of the digital payments industry, including utility bill payments, looks promising, with expected continued growth. Key trends include increased adoption of mobile financial services (MFS), emphasis on convenience and accessibility for consumers, regulatory compliance, and the importance of partnerships for innovation and integration. As technology evolves and consumer preferences change, service providers that prioritize user experience and security will likely succeed in this dynamic landscape.

NB: The Python file used for the analysis has been hyperlinked [here](#).

[Response to the task of the part \(B:3\)](#)

The user analysis indicates that The most popular mobile financial service is Chime, with 180 users, followed by SnapTap with 146. With 48 and 42 users, PayUp and MaxPay are much smaller. This suggests that Chime and SnapTap are popular, while PayUp and MaxPay may need to improve their offerings or marketing to attract more users. Mobile financial services are used mainly by young males (65.8% male, 44.9% 21-30). Most are employed (51.7%) or students (27.6%), with a majority earning 50,001–100,000 (45.7%) and belonging to the emerging economic profile (45.7%). With 28.2% unemployed, manufacturing (11.5%) and education (10.8%) are vital sectors. This suggests that the primary users are young, employed males from emerging economies, particularly in manufacturing and education.

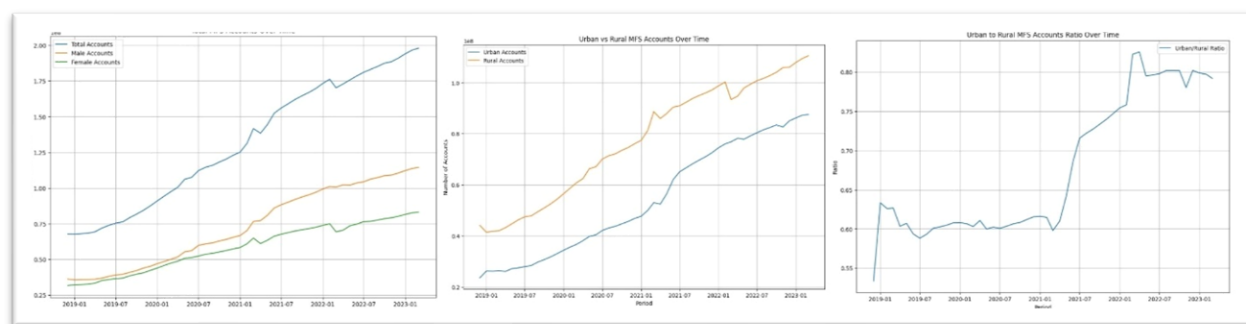
The survey shows user age trends in mobile financial services. SMS alerts and last-minute deals appeal to 21—to 30-year-olds, who use smartphones as their primary internet and shopping tool. Elderly users, especially those over 50, use digital communication channels less and are less interested in last-minute deals. These findings demonstrate the importance of age-specific marketing for mobile financial service engagement and satisfaction.

MFS users across economic profiles have different preferences. For MFS transactions, affluent online shoppers value cash discounts, luggage benefits, cashback, and gifts. New users value cash discounts, cashback, internet balance top-ups, and mobile talk time. Established but less prominent users want cash discounts and cashback. Data shows that cash incentives strongly influence MFS user behaviour, with varying interest in additional benefits.

The data shows significant gender and age differences in expenditures. With spending up to 500 Crowns, both genders in the 21-30 age group dominate, but men outnumber women. As expenditure rises to 501-700 and 701-1,000 Crowns, 21-30 and 31-40-year-old men lead, with female participation falling. Males aged 21-30 and 31-40 and females aged 21-30 spend more in the 1,001-2,000 Crowns range. Males dominate higher expenditure ranges (2,001-3,000 and more than 3,000 Crowns), especially in the 21-30 and 31-40 age groups. Females are underrepresented in high-spending categories. This suggests that young to middle-aged males (21-40) are most likely to spend more, while females are more evenly distributed across lower spending ranges and less likely to spend much.

Primary survey data shows MFS users' preferences. An easy-to-use mobile app is the top priority for all MFS services, with Chime and SnapTap ranking first with 89 and 64 preferences, respectively. Security is the second most important feature, with Chime again leading with 30 preferences. Chime dominates secondary preferences, significantly longer transaction timeout (68 preferences) and high mobile optimization (17 preferences), while SnapTap excels in call centre facilities (14 preferences) and longer transaction timeout (44 preferences). Chime leads in tertiary preferences, demonstrating its consistency in meeting user expectations. These findings emphasize the importance of user-centric features like ease of use, security, and reliability in MFS apps, positioning Chime and SnapTap as potential frontrunners while highlighting MaxPay and PayUp's areas for improvement.

Trends and patterns were evident across demographics and locations. The data covers urban and rural male and female users from December 2018 to March 2023. MFS users have steadily increased, reflecting the growing adoption of mobile financial services in urban and rural areas.



The data shows that male users outnumber female users in urban and rural areas. This gender disparity suggests entry barriers or differences in financial inclusion between men and women. In March 2023, there were 114 million male MFS users and 83 million female users. The gap persists throughout the observed period, suggesting socio-cultural factors or differences in technology and financial resources.

The urban-to-rural MFS user ratio, around 0.75 to 0.80 in recent years, shows that rural areas have more users. This ratio has increased as rural areas adopt mobile financial services faster. In December 2018, the urban-to-rural ratio was 0.53, indicating rural adoption growth. Mobile financial services have penetrated rural areas, possibly due to targeted financial inclusion initiatives. However, many users are still in urban areas, suggesting urban-centric growth.

NB: The findings have been derived using both MS Excel and Python programming. The file of MS Excel is hyperlinked [here](#), and the file of the Python notebook is hyperlinked [here](#).

Response to the task of the part (B:4)

With several strategic recommendations from the Asgard mobile financial services (MFS) market analysis, Chime can strengthen its position. Financial inclusion, especially for women and rural areas, should be prioritized. The data shows that male MFS users outnumber female users in urban and rural areas. In March 2023, there were 114 million male users and 83 million female users. Chime can grow its user base by filling this gap.

Chime should use targeted marketing campaigns to meet women's financial needs and preferences. Working with women and community groups can help women understand MFS's benefits and uses. Creating financial literacy programs for women can give them the skills and confidence to use MFS. Chime should also offer savings plans, microloans, and investment options for women.

From December 2018 to March 2023, rural MFS agents increased by 374,982 and rural accounts by 66,565,896. To maintain this momentum, Chime should expand its rural agent network to make financial services more accessible. Financial literacy programs in rural areas can improve MFS adoption. These programs should teach users about MFS's convenience, security, and cost savings. Local organizations and leaders can help educate rural populations and build trust.

Additionally, Chime should use digital channels to reach its customers. Facebook, Instagram, and TikTok are essential for reaching younger, tech-savvy users who prefer SMS alerts and online shopping. SEM can boost Chime's search rankings and organic traffic. Personalized email and SMS campaigns can engage existing users with new features, exclusive offers, and security updates. Chime can gain credibility and reach by partnering with finance and technology influencers.

User-centric design is also essential for improving user experience. Chime should regularly usability test, gather feedback, and iterate on app design to ensure seamless navigation and intuitive functionality since users prioritize an easy-to-use mobile app. New budgeting tools, expense trackers, and personalized financial advice can help users manage their finances and stay engaged with the app. Chime should offer cashback, discounts, and other rewards for frequent use in loyalty programs. A loyalty points system to reward regular transactions can also help retain customers.

Another critical area for improvement is security. MFS users prioritize security, so Chime should implement two-factor authentication (2FA), encryption protocols, and regular security audits. Policymakers should mandate these security measures on all MFS platforms to protect users' financial data from cyberattacks.

Customer support must improve to meet user expectations for responsiveness. To improve response times, live chat, AI chatbots, and 24/7 call centres should be added to Chime's customer support infrastructure. This enhancement can quickly resolve user issues and boost platform satisfaction.

Finally, interoperability and data portability can make MFS more user-centric and competitive. Policymakers should promote MFS platform interoperability and data portability to give users more financial data control. This allows users to switch providers without compromising security or convenience, driving market competition and innovation. Chime can strengthen its position as Asgard's leading MFS provider by implementing these recommendations to improve user satisfaction, trust, and adoption.

NB: To formulate policy recommendations, some basic analysis has been done using Python programming. The notebook is linked [here](#).

Response to the task of the part (B:5)

At a policy dialogue, I would advocate on behalf of Chime for several key interventions to improve the mobile financial services (MFS) industry and ensure its sustainable growth. These interventions would enhance user experience, security, customer support, and market dynamics.

First, all MFS platforms should have strong security. MFS users prioritize security, so strict regulations requiring multi-factor authentication, encryption, and security audits are essential. This protects financial data from cyberattacks and builds trust in digital financial services. Ensuring all MFS providers follow these standards would make transactions safer and reduce fraud.

Second, I would advocate for financial inclusion policies, especially for women and rural residents. Data shows that MFS adoption is much lower among women than men. Policymakers should support financial literacy programs for women and MFS awareness campaigns to close these gaps. Increasing the MFS agent network in rural areas can also improve financial services. Incentives for MFS providers to operate in underserved areas could improve financial inclusion.

Third, the policy should prioritize customer support. User satisfaction with responsive customer support suggests a need for a comprehensive infrastructure. Policymakers should encourage MFS providers to invest in live chat, AI chatbots, dedicated helplines, and effective grievance redress. Setting minimum customer support standards can ensure that all users receive timely and effective help.

I also urge MFS platforms to standardize transaction limits and timeouts. Arbitrary limits and timeouts frustrate users. Policymakers should standardize transaction limits and timeouts for consistency and fairness. This would improve user experience and prevent financial transaction disruptions.

Promoting interoperability and data portability is crucial. Interoperability between MFS platforms and data portability gives users more control over their financial data and encourages MFS market competition and innovation. Policies should require MFS providers to create interoperable systems and let users switch providers without compromising data security or convenience. This would encourage providers to improve services to keep customers.

Finally, I recommend user-centric design investment policies. Policymakers should encourage usability testing, feedback collection, and iterative design improvements because users value an easy-to-use mobile app. Providing guidelines or incentives for MFS providers to invest in user-centric design can keep platforms intuitive and accessible to meet users' changing needs.

Chime can benefit all stakeholders and boost MFS growth by lobbying for these interventions to make the industry more secure, inclusive, and user-friendly.