OVO Innovation Plan

Introduction

OVO is the leading digital payment platform in Indonesia and they have become the first fintech startup unicorn in 2019. OVO was established in 2017 by PT Visionet Internasional and got e-money licence from Bank Indonesia. OVO’s main product is a payment gateway for transactions between users and merchants, and besides providing digital payment services to its users, OVO has broadened their services into remittance, investment, insurance, and online lending features. By collaborating with a number of enterprises and financial institutions, OVO aim to increase its reach and provide a larger range of financial services to its users by offering a lot of benefits, cashback, and rewards such as discounts. OVO has a strong market strength which can be indicated by they have over 115 million registered users and this platform has been accepted widely in at least 600 cities in Indonesia and they partnered with more than 1.3 million merchants, and since their launch in 2017, there has been over 10 billion transactions on OVO. The current situation in Indonesia has shown a big potential for OVO because Indonesia is in the state of growing and evolving into digital services and technologies. When the COVID-19 struck Indonesia in 2020, it accelerated the growth of digital payments because everything turned into online and it increased the demand of OVO services. By utilising artificial intelligence and machine learning with data analytics (Cloudera, 2021), OVO is providing relevant services to Indonesians by bridging the gap between financial inclusion and financial literacy in Indonesia. Overall, I think with OVO market strength and current situation in Indonesia, OVO is capable of expanding their services and growing their business because the environment is beneficial.

Challenges

OVO has faced many major challenges over the past 3-5 years. The first challenge was attracting a foreign investor to invest in OVO to help them grow their business to be bigger and quickly. The OVO’s CEO, Jason Thompson explained that Indonesia must be projected as a very good country for investment. The government and business owners must collaborate, so Indonesia can fulfil the potential and get the right investment and the investment should not be directed to profit growth rather than more sustainable or long term. The next challenges were, the money burning action that has become an issue for this startup company. OVO has been burning investor money for years to capture more users by promoting and offering them a discount, cashback, and many more services, and each month OVO at least spends approximately 50 million USD. OVO has been extending its product and service offerings, including entering new markets in Southeast Asia to overcome these issues and maintain its growth. In 2019, they became partners with Grab which is an online transportation and delivery company in Asia. The reason OVO partnered with Grab was because OVO was trying to expand their digital payment services to users in Thailand, Philippines, and Vietnam (Mime.Asia, 2020).

Innovation

The innovation that I proposed is exploring the potential of cryptocurrency and blockchain in Indonesia. According to Statista in 2021, Indonesia’s cryptocurrency transactions reached the value of 860 trillion Indonesian Rupiah, and it has increased significantly compared to 2020 with 65 trillion Indonesian Rupiah (Statista Research Department, 2022). Indonesia recently amended the regulation regarding implementation of crypto asset and market trading namely CFTRA 3/2022 (K&K Advocates, 2023). This opens up a room for expansion in the Indonesian market, especially in the blockchain sector. OVO has already invented a successful payment gateway, however, to gain and attract more customers, OVO can enhance their payment gateway to have cryptocurrency payment gateway feature. Cryptocurrency payment gateway is a payment platform that enables merchants to accept payment in any cryptocurrencies, and it enables users to pay directly with their cryptocurrency (Seth, 2022). This gateway will be built in an ecosystem called blockchain that will offer many advantages, for example, transactions will be transparent and intermediaries will not be needed, so payment made in OVO can be faster and the process will be shorter. The reason OVO need to implement this gateway is because OVO’s competitors offer the same services and OVO need to be unique in order to maintain or capture more customers. There will be many entities that will be benefiting from this product which are OVO, people that don’t have access to bank, and people who want to pay with their cryptocurrencies. As mentioned above the value of crypto transaction in Indonesia is overwhelming it means OVO have an opportunity to generate more revenue and give investor a high ROI. As a result, it can attract foreign investor and cover the burn rate from their money burning action, with this both challenges mentioned above can be solved.

Competitor And Collaboration Partner

As one of the leading fintech companies and digital payment platforms in Indonesia, OVO has a lot of strong competitors in the market. In the last 3 – 5 years, many fintech companies have also risen side by side with OVO. There are 3 main competitors for OVO which are GoPay, Dana, and LinkAja. GoPay is a digital payment platform founded and owned by Gojek which is the leading online transportation provider and delivery services. GoPay services include a wide selection of payment options, for instance, cashless payments for their users and merchants (Ghifari, 2023). The next competitor that is worth mentioning is Dana because it collaborated with several e-commerce platforms to provide payment choices for their clients, with a strong focus on supporting small and medium-sized businesses (SMEs). In February 2022, Dana’s digital wallet became the part of cross border QR payments that connect payment between the central bank of Indonesia, Malaysia, and Thailand (Pagan Research, 2022). The last competitor is LinkAja. Even though LinkAja offers a similar payment gateway, LinkAja has collaborated with many government agencies, therefore, LinkAja is very popular when people want to make a payment on government services (LinkAja, 2022).

The possible collaboration partners that would help OVO to realise this innovation are Stripe and CoinPayments. Stripe is a payment services provider similar to OVO that enables their customers to pay with credit, debit, and other (Stripe, n.d.). OVO can collaborate with Stripe because recently Stripe just started to accept payments in cryptocurrencies (Sharma, 2022). This can be very beneficial for OVO since both of them start with offering customers payment gateways for cashless transactions, and by partnering with Stripe, OVO can learn on how to initiate and what is the first thing that they need to prepare and do before launching this new proposed product. The next potential partner is CoinPayments, it supports at least 2,300 cryptocurrencies (Lielacher, 2022). Coinpayments main objective is to enable their customers to pay and accept payment in digital currency. CoinPayments can help OVO to have access to many cryptocurrencies and introduce them to crypto payment gateways.

Benefits

By implementing a cryptocurrency payment gateway with blockchain, OVO can eliminate their limitations. These are some benefits that OVO can obtain:

* Global Reach: OVO can increase their customer base in order to bring more customers who prefer to pay with their cryptocurrency and OVO can expand its services globally. They can target a new market, for instance, the USA because they have the biggest crypto transactions in the world.
* No Intermediaries: With the help of blockchain, OVO can offer their customers an efficient and fast transaction process, also it will decrease OVO’s transaction cost since no third party is included. This will attract many customers since people prioritise good service with low cost.
* Innovative Services: Most of OVO competitors in Indonesia offer similar payment gateway services, but with cryptocurrency payment gateway, OVO can distinguish itself and compete with their competitor with advantages.
* Transparency and Security: OVO and its users can build more trust because when something is wrong, it will be detected by the blockchain. With blockchain, OVO can offer more secure transactions and decrease the chance of their users getting hacked, scam, or fraud because there are a ton of cases of scamming using OTP in Indonesia.
* Solving their Challenges: By being globally known means this is an opportunity for OVO to get the attention from foreign investor to help them grow and expand. In addition, by having tons of users, they can also stop their money burning action because the amount of customer will be multiplied more than they have now.

Conclusion

In conclusion, OVO which is a leading fintech startup in Indonesia has a strong market strength with over 115 million users and more than 10 billion transactions, the current situation in Indonesia indicates a potential for OVO to expand their services and business. As a company, they have faced many challenges as they operate, trying to get investment from foreign countries, money burning strategy, and providing equal financial access to people, in addition, OVO also faced many competitors in the market namely, Gojek, DANA, and LinkAja. An innovation that would be beneficial for OVO is exploring the field of cryptocurrency and blockchain, by bringing cryptocurrency payment gateway. It can solve some challenges and make OVO globally known. Some of the benefits that OVO can get include, solving their challenges, third-party elimination, innovative services, global reach, and more secure and transparent services. Stripe and CoinPayments are the two top companies that OVO can reach to make a collaboration and realise this proposed product.

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