

MOT9610 Entrepreneurship Basic Course
LBA2

Report of Group 4

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India's largest leading payment gateway that offers various kinds of payment services for customer and merchants. It also offers mobile payment solutions to merchants and allow consumers to make seamless mobile payments from Cards, Bank Accounts, QR mobile payments & Digital Credit among others.

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1 Opportunity Analysis Canvas

To understand how Paytm became a successful startup company, it is necessary to know about its founder and analyze his entrepreneurial qualities using the opportunity analysis canvas, according to which a great entrepreneur is someone who has an entrepreneurial mindset, motivation, and behavior. Inspecting various articles and news about the founders of the company effectively which demonstrates that he had the qualities of an extraordinary entrepreneur.

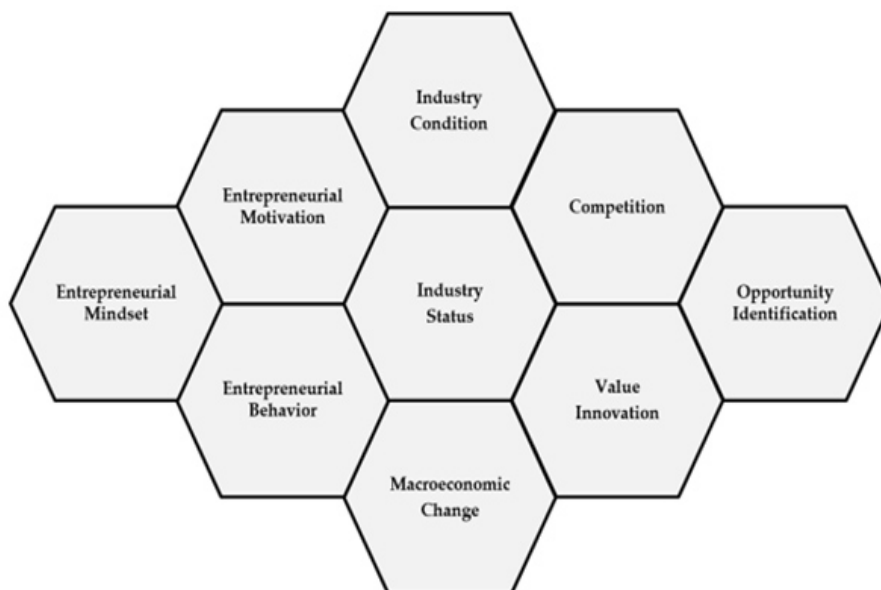


Figure 1: *Opportunity Analysis Canvas* [1]

1.1 Entrepreneurial mindset

Paytm was founded in 2010, by an Indian entrepreneur Vijay Shekhar Sharma. In 2000, he started one91 Communications, which is a parent company of Paytm. In 1997, the time when Vijay Sharma was still in his college, he developed a website named indiasite.net which he sold 2 years later for a price of \$1 million.

Vijay Shekhar Sharma has often been invited for an interview or speaks at an event or conference about his company Paytm. Since 2013 to date, Vijay Sharma has invested in a lot of startups in India. The startups he gave funding to include Plustxt, auto-rickshaw aggregator and hyperlocal delivery firm Jugnoo, logistics startups Loginext and XpressBees. It also invested in a startup in the healthcare sector that uses artificial intelligence.

1.2 Entrepreneurial motivation

The founder of the company always had a reasonable picture of what the company needed to accomplish and a solid conviction that he would have the option to achieve his objective. It was always his desire to build something huge. His goal is to bring most of the Indian population to the mainstream economy by allowing them to go cashless with the Paytm application.

1.3 Entrepreneurial behaviour

When Paytm was launched it was not successful overnight. The founder knew that it is not going to be an easy task for the company to attract customers. He recognized this risk however he had the certainty that the company will overcome this challenge.

The founder also seems to have extraordinary relational abilities, as he seems to have solid associations with their staff. At the Paytm, he has the culture of Go Big or Go home. He always encourages his staff to go push themselves and he doesn't have any boundaries for his staff. With a very straightforward and open work culture, the company center around illuminating the most minor and critical of obstacles looked by a user/customer today. As a result, the company has established a successful culture of teamwork, respect, and ethics.

1.4 Opportunity Creation

The fundamental specialized change that made an open door for Paytm was the ascent of internet business (e-commerce). More and more people started buying stuff online and so Paytm took advantage of the situation by providing an online payment platform.

One of the biggest opportunities for the company was back in 2016, when Prime Minister of India on 8th November, made the announcement about Demonetization where he withdrew all the INR 500 and INR 1000 banknotes from the circulation in order to stop the corruption.

The decision forced people, especially small merchants to look for an alternative to make the transactions and keep going with their businesses.

In that situation, Paytm wallet to make and receive payments was the easiest way for the people. Before the decision of Demonetization was made the company had 125 million users using the Paytm Wallet and it went on to 185 million users within 3 months after the Demonetization.

2 Value Proposition Canvas

Paytm was able to establish provide services and products that customers found value in and then the company took it further. Influenced by Alibaba, Paytm decided to create a wallet system that would allow users to preload their money use that for payments to the merchants. Paytm had already solved the issue of making payments easily via mobile but it had one problem that each time



Figure 2: *Value proposition canvas of Paytm*

user would require to enter the card details and then enter the OTP or login password for the completion of the payment.

To solve the problem Paytm Wallet was launched so that customer could easily load money into their wallets and make multiple payment transactions without going through the hassle of putting card details several times.

Paytm very well knew the pain point of customers and also the different scenarios for which users were using Paytm. With Paytm Wallet transfers were made easy but when Wallet was launched it did not have P2P (peer-to-peer) transfers as the main priority. The main focus was on adding money to the wallet and then further taking it to the bank. Paytm's services incorporate a wide range of well-known installment strategies and numerous highlights like risk management and customer insights while minimizing expenses to advance income.

Figure 2 shows the value proposition canvas for Paytm. The diagram explains the product and services positioned around the values and needs of the users. The value proposition canvas basically focuses on the customers and the value propositions. The factors important from the point of view of customers are also added in the diagram as customers' pain, gain and customer jobs. Another part of the canvas focuses on the customer value proposition such as gain creators, pain relievers and products and services provided by Paytm to the customers and its users.

3 Business Model

Paytm has a combination of many business models. It works on the marketplace e-commerce business model. Paytm business model has undergone many changes since its launch, in the beginning, it dealt in online mobile recharge and bills payment services and then come up with the idea of e-wallet and banking features [2]. Thus the business model went on to transform to a virtual and marketplace bank model which also deals in recharge bill payments and provide users with an e-wallet and reservation/booking options [3].

There are multiple sources of Paytm's revenue. It includes interest received from Paytm escrow account, advertising other products on its websites, annual subscription fees from different sellers, who list their products on its website, a commission from the seller for their products listed at Paytm websites, Paytm Wallet, etc [4].

Different business models and revenue models are listed below.

3.1 Paytm Business Model

Broadly, Paytm business models can be categorised into five models, as mentioned below [5].

- **Web Portal**
It is based on E-commerce, B2C shopping portal, and marketplace model. The crux of the model is that Paytm gets a certain percentage of commission on the total sale value given to the seller for a particular product.
- **Listing Fee and Convenience Fee**
Sellers are charged with onboarding fee for doorstep service of explaining everything related to selling online and listing fee for selling on Paytm.
- **OTA Bookings**
The Online Travel Agency model of Paytm where it provides air, bus, etc ticketing, and hotel booking services, also commission model similar to e-commerce.
- **Payment Integrations**
Paytm Wallet can be used to pay all sorts of utility bills including cable, internet, mobile, gas, electricity, etc. Paytm gets commissions from these vendors. It also negotiates on the settlement time to vendors i.e, there is a time lag between a customer paying Paytm and Paytm paying the vendors, thus it makes money out of the interest that it earns from the lying deposits in the wallet.
- **Mobile Wallet**
Due to payment integrations, wallets are used for all payments and the cashback given on transactions is in the form of wallet cash. Hence, Paytm earns from the interest on the deposits in the wallet.

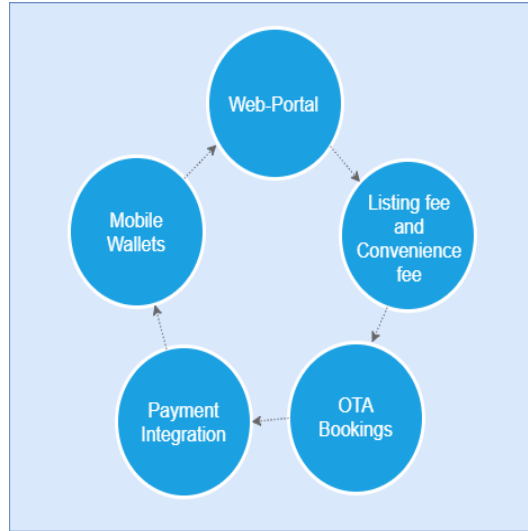


Figure 3: *Business Model*

3.2 Revenue Models

More specifically, Paytm revenue models can be divided into the following categories [6]-

- Marketplace (Paytm Mall)
As already mentioned under the web portal, revenue from Paytm mall is generated as fees and commissions from the sellers, which differ by category of products.
- Recharge Services
- Bill Payments
Revenue for recharge services and bill payments are generated by charging commissions from these providers and operates, as well.
- Payment Solutions
Payment solutions allow online businesses to accept online payments through Paytm. the company charges a commission of 1.99% on every transaction, however, there is no setup and maintenance fee.
- Paytm Wallet
- Digital Gold
It allows its users to buy, sell, store gold digitally without any additional cost, and can also get the gold delivered to their house with just paying a minimal delivery charge. The company also wants its users to have a Gold Bank account, which allows users not only to buy gold, and store it

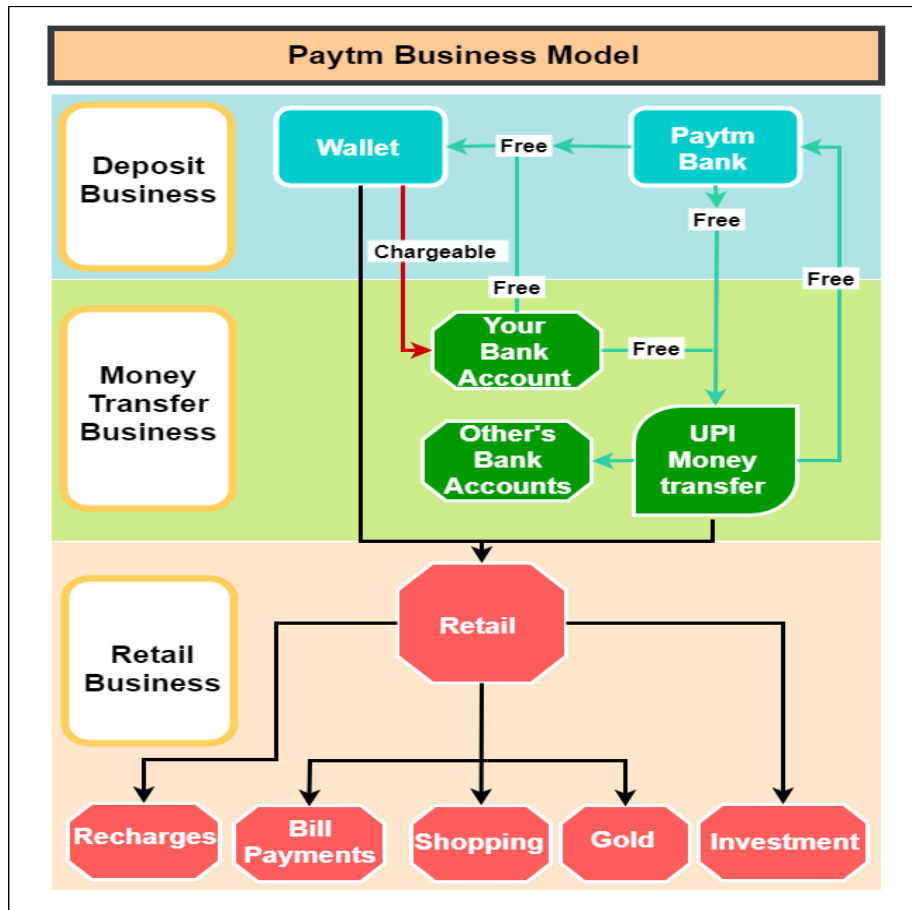


Figure 4: *Revenue Model*

in digital form, but also to use the gold to buy other services on Paytm. It also has plans to connect customers with jewelers and make money by being an affiliate.

- **Paytm Bank**

A payments bank is a digital bank that can accept deposits and give out interests on the deposits but can't offer loans to its customers. Paytm also issues debit cards with QR codes which can be scanned at various points. Paytm Bank makes money by-

- *cross-selling*: Paytm sells products and services (like insurance, investments, loans etc.) of partnered financial institutions and banks along with its own and earns money as per the contract between the parties.

- *Interest Arbitrage*: Paytm bank makes money by depositing the money with some other bank which provides higher interest rates than that provided by Paytm bank.

Paytm's main competitors are [7]-

- Mobile Wallet, Recharge, Bill Payments – Phonepe, Mobikwik, Amazon Pay, Freecharge
- UPI Fund Transfer – Google Pay, BHIM, SBI Pay, Phonepe etc.
- Payment Bank – Airtel Payment Bank, Fino Payment Bank, India Post Payment Bank, Aditya Birla Payment Bank, Jio Payment Bank
- E-Commerce – Flipkart, Amazon, Snapdeal etc

4 Business Model Canvas

The Business Model Canvas of Paytm is explained using figure 5. Business Model Canvas describes how Paytm delivers values to the customers, what are its customer segments, cost structure, etc in detail.

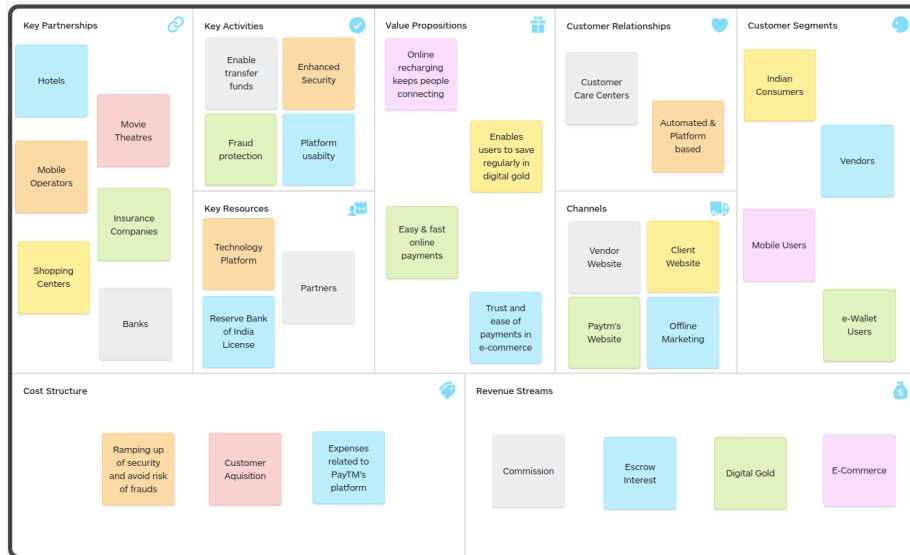


Figure 5: *Business Model Canvas*

4.1 Value proposition

Initially, Paytm's value proposition was to solve the problem of under-banking and difficulty in doing payments of bills, recharging mobile phones, by providing

an easy platform for online payments. The second value proposition of Paytm was to provide a parallel banking system. It became very easy for customers to do transactions between friends, family, and vendors, just by using their mobile phones. The eWallet now serves as the main component of Paytm's business model.

4.2 Customer Segments

Paytm serves mainly Indian customers especially those who use mobile phones. A large percent of the Indian population was not aware of the digital payments and were using mostly cash currency. The introduction of online payment that too using mobile phones made it easy for the consumers to pay for services at a shop, street stall or to friends and family.

4.3 Channel

Paytm uses many different channels for its promotion. It uses its website that drives click. It has partnered with many vendor sites and clients that sponsor its enterprise. It also uses offline marketing as a part of its customer acquisition.

4.4 Customer Relationships

Most of the Paytm's services are accessible through its platforms directly. So, mostly its services are typically self-served in nature. However, they provide 24x7 customer care services to solve their customer's problems.

4.5 Revenue Streams

There are majorly two different revenue models that Paytm follows. Firstly, it makes commissions from the number of transactions done by the customers using its platform. These are not directly paid by the users, instead, its paid by the vendors. The next revenue source is from the escrow's account. The customers load money into digital wallets. Paytm banks this money in the short term market accounts. Paytm doesn't offer any interest to its customers, and so this way it grows its capital.

4.6 Key Resources

One of the critical key resources of Paytm is the Reserve Bank of Indian License, that allows it to bypass substantial levels of regulations and stops the other competitors that are looking to imitate it. Other resources include designing the software that is user-friendly of Indian customers.

4.7 Key Partners

The key partners of Paytm are the organizations that provide services and collect bills and payments from their consumers. These are mainly Hotels, mobile

operators, travel bookings, movie theaters, etc. The major key partners are the banks that provide Paytm with the payment gateways and escrow services.

4.8 Key Activities

Paytm is a technology-based platform, that includes risks and dangers related to security and fraud. This calls for the need to take effective measures to protect consumer's money by providing enhanced security.

4.9 Cost Structure

Paytm has a huge customer base, which is the reason that it is so cost-driven. Mostly its expenses are related to customer acquisition and its platform. The majority of the budget is invested in improving security and avoid risks such as fraud and money laundering.

5 Beachhead Market(TAM, SAM, SOM) & Empathy Map for Persona

In this section, we have tried to analyze how the company tried to identify its TAM, SAM & SOM and how it tried to achieve the same.

5.1 TAM (Total Addressable Market)

The company's TAM is the overall demand for the product and services the company provides. Paytm entered the market as a prepaid mobile and DTH (Direct-to-Home) recharge platform and then later entered into an e-commerce platform. The company tried to improve the overall experience of shopping and making bill payments easier. The TAM for Paytm is not just the Indian e-commerce market, but payments through mobiles more generally.

5.2 SAM (Serviceable Available Market)

SAM is the segment of TAM which the company can reach. Paytm's e-wallet allowed the company to grow its SAM. This made the online payment system more efficient and expand at a very high rate. This enabled more and more people to use Paytm, also the small business merchants started using the service.

5.3 SOM (Serviceable Obtainable Market)

SOM is basically like the actual goal of the company. The market which the company can realistically reach. Till 2016, the company had covered some portions of the users from the market but the company saw a very huge growth when the decision of Demonetization (Stopped the circulation of 500 and 1000 Rupee bank notes) was taken by the Prime Minister of India on November

2016. After this decision, more and more people started using the application to transfer and receive money.

5.4 Empathy Map

The empathy map helps in understanding the perception and feeling of an ideal customer so that we are much better able to understand that in what ways can we best serve this customer. It helps in giving a deeper insight into the contribution we can make. The Empathy map for customers of Paytm is described below using figure 6.

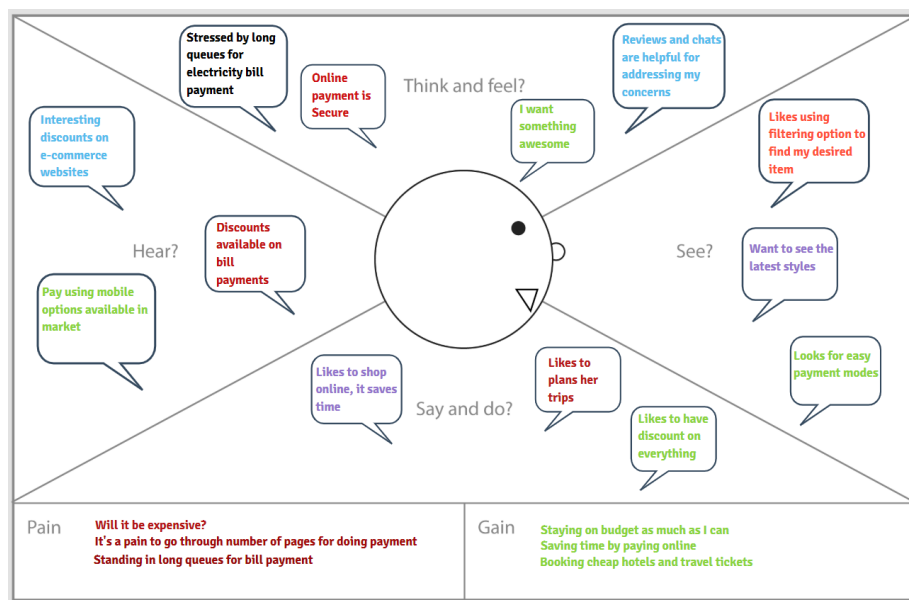


Figure 6: Empathy Map

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