

MOT9610 Entrepreneurship Basic Course
LBA1

Report of Group 4

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1 Introduction

This report consists of our work for the Entrepreneurship Basic Course at TU Delft. The main idea of the report is to analyze the start-up and growth stages of a company, critical junctures and the development of the company. For our assignment, we have decided to choose the start-up called Paytm.

Paytm is an Indian based e-commerce company that provides services like online payment and e-wallet. It also offers online facilities like mobile recharges, utility bill payments, events bookings, movie tickets. Apart from those facilities like payments at grocery stores, restaurants, pharmacies, just by using Paytm QR codes is also provided. It helps people transfer money instantly to anyone without any additional cost or commission. It provides a user-friendly interface and is available in 11 Indian languages. Due to this reason, several Indian merchants use Paytm QR code for accepting the payments directly into their bank account [1].

In section 2, we will discuss the growth stages of the company from scratch. Section 3 will present the critical junctures faced by the company. Section 4 speaks about the development and diffusion of the company. Section 5 identifies the position of the company in the development pattern.

2 Growth Stages

2.1 Research

In 2010, Paytm was founded by Vijay Sharma with an initial investment of \$2 million. It started with an initial intent of prepaid mobile phones and DTH recharge platform and then later added postpaid mobile and landline bill payments in 2013. The main aim was to provide a common platform (application) so that people could use it for making online payments, receiving payment from others, shopping online, booking train/bus tickets in India.

2.2 Opportunity Framing

In 2014, the company went on to expand its value proposition as a part of opportunity framing. Earlier the main focus area of the company was its recharging business but in 2014, it launched Paytm wallet and after the launch, Indian Railways and Uber added this as one of their payment options. Later in 2015, after the approval from Reserve Bank of India, the company launched Paytm Payment Bank with an idea to provide access to financial and banking services to more than half-a-billion underserved Indians.

2.3 Pre-organization

Vijay Sharma, also the CEO of One97, the parent company of Paytm, is a serial entrepreneur. In 2011, he took the risk and put his equity in One97 [2], of about \$2 million for investing in a non-existing market of online payment.

The beachhead strategy was to first occupy the small market segment of online payments. They provided easy online bill payments of different services like electricity, water, gas, and mobile recharge. In contrast to other competitors in the market, they provided smoother transactions to the users. To attract a large segment of customers, they focused more on customer discount, that extended to even 50% of their bill amount. In 2014, they launched the Paytm wallet and entered into the e-commerce segment with online deals.

2.4 Reorientation

The company gave very important services to its customers which empowered them to draw the attention of some enormous organization. In 2011, Sapphire Ventures invested \$10 million in One97 Communications Limited, which is Paytm's parent company. Further in 2015, it also received some investments from Chinese e-commerce company Alibaba Group. In 2018, Paytm received funding of \$356 million from Berkshire Hathway and for 3%-4% shares in Paytm [1]. In 2019, it became a partner with Citibank (a foreign bank in India and also a subsidiary of Citigroup).

2.5 Sustainability

Some activities can be noticed which show that the company Paytm went through the sustainability stage. In 2018, Paytm owner Vijay Sharma & venture capitalist Shailesh Vikram Singh raised an environmental protection fund of about \$150 million. This huge fund will be utilized to invest in startups and companies which are working on the agenda of reduction in pollution which has been aligned with the United Nations Sustainable Development Goals. The company will also invest in the in companies which are funding solutions for green cities, clean food, reducing plastic waste and clean energy over the next few years.

3 Critical Juncture

Paytm switched from one opportunity to others within 3 years. They started with online payments of electricity, water, gas, DTH recharges, but after a while, in 2014 [1], they decided to expand their market and entered the e-commerce sector. They also launched Paytm-wallet, which is a secure digital payment platform where you can add money from a credit card or bank account and use it for the transaction. They focused more on Paytm wallet, which had tremendous growth in 2016 during demonetization in India when long lines and lack of cash made e-wallets a necessity for the common man. This was opportunity recognition, a critical juncture that helped Paytm to move forward from the research phase to opportunity framing phase of the growth model.

The company moved to the next growth stage by adding new industries to its client base. Indian railways, one of the biggest e-commerce players in India, and Uber were the initial clients, who added Paytm as their payment option. It helped them grow their market enormously. They also provided events, amusement park, movies ticketing, and flight booking, that increased their growth in the online payment market. Addition of new clients helped them grow. This was an entrepreneurial commitment, a critical juncture, that helped Paytm move to the next growth stage of pre-organization.

The next critical juncture the company faced was the funding and partnership it got from some of the big companies around the world. In this case, it got involved with large companies like Alibaba Group, Berkshire Hathway. The company also received a nod from Reserve Bank of India to start its own Paytm Payment Bank for which the company became a partner with Citibank to launch their credit cards. The involvement of other companies in Paytm can be related to the critical juncture of credibility which allowed the company to move to re-orientation phase.

The company decided to go international to expand its business platform. After funding from Alibaba Group, after this Paytm entered into a commercial partnership with AliCloud which is Alibaba's cloud computing platform. This partnership allowed Paytm to enter the global market. With this, the payment methods of these two firms were coordinated in their current platforms. With this partnership, a Chinese customer shopping with an Indian merchant could make the payment through Alipay. In the same way, an Indian customer with Paytm was allowed to access Alibaba's merchant base in countries like US, China, UK and Japan. This development was a significant achievement for the company since it helped increase their exposure and reputation on a global level. This identifies the critical venture of sustainability which helped Paytm to develop entrepreneurial power to expand their activities in other countries.

4 Pattern of Development and Diffusion

4.1 Innovation phase

The online payment industry started with the idea of computer-based payment processing solution. For the first time when e-commerce companies like Amazon and eBay came into the market, the only payment method they had was mailed cash and checks. With an increased number of transactions, it became tougher for them to process these emails. This is when the need to connect the bank cards and the e-commerce websites came into existence, such that credit or debit cards can be used as an online payment method.

Many companies like CyberSource (United States), Bibit Global Payment Services (the Netherlands), Authorize.net (United States) started to provide this

service of online processing the customer's credit card and after that contacting the bank to accept the payments. After the companies developed this payment software, many e-commerce companies started to it immediately.

4.2 Market Adaptation phase

Online payment systems were immediately received well by the market when they were prepared for the utilization. In 2014, Paytm came up with the Paytm Wallet to make online payments and as soon as this was launched Indian Railways and Uber started using Paytm Wallet as one of their payment options for their users. Due to the kind of service, they provided more and more users started using the Paytm Wallet. In 2017, Paytm became India's first online payment application that had over than 100 million downloads. Due to the significance of the online payment service, Paytm attracted the attention of some of the big companies around the world and got funding from those companies. Paytm started receiving funding from Alibaba Group and Berkshire Hathway. After launching Paytm Wallet, Paytm next launched Paytm Bank in the year 2015 and after that, they united with the Citibank to produce credit cards.

4.3 Market Stabilization phase

In recent time, several e-commerce companies are coming into the market that makes use of online payment. That calls for the need to continuously improve the technology that's being used in the online payment. Paytm is always doing innovation and provide security features like Anti-Fraud Technology to keep you safe in online payment [3].

We think that the industry of online payments is currently in the market stabilization phase, and it lies somewhere in the S-curve, about which we are going to discuss in detail in the next section.

5 Position in the development pattern

Paytm started as online bill payment service but now a major platform for online payments, bank transactions, and many other financial services for a wide range of customers including common people, retailers, corporate customers, etc. Paytm is the most used mobile payment-app since 2015- in India. Paytm's revenue grew to INR 8 billion for the fiscal year 2016-17, raking as India's largest digital company [4].

The company has hit critical mass in India. During the initial years, there was a slow adoption to the app (mainly online bill payments and recharge services), with the introduction of the e-wallet, there was a considerable increase in the number of users, especially during demonetization in India when the digital currency was used widely. Paytm saw enormous growth in the user base of about 10 times between 2014 to 2015.

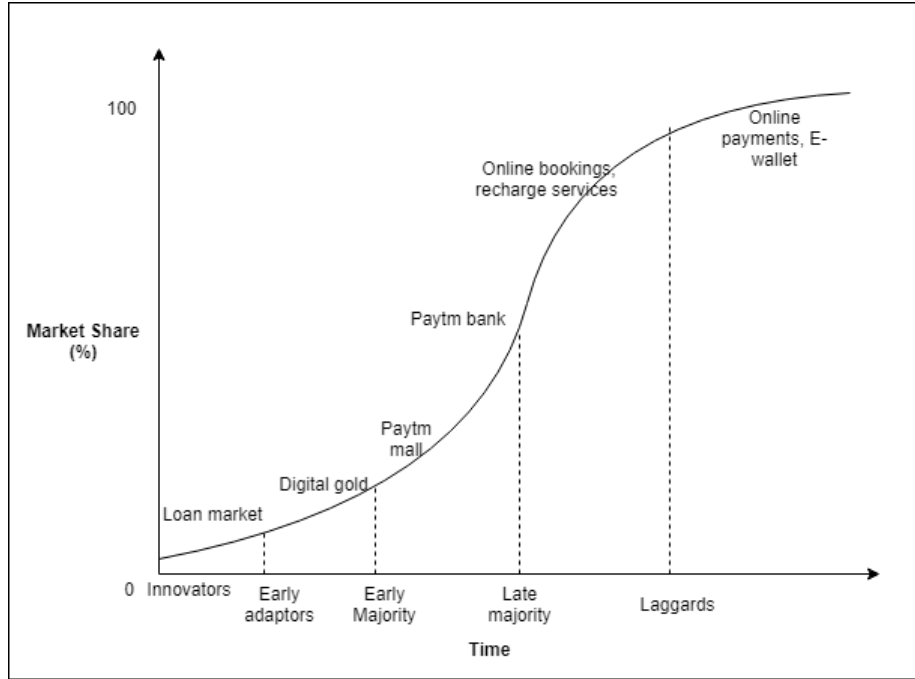


Figure 1: *Pattern of development and diffusion curve*

Paytm mall isn't that popular among users and revenue models like Digital gold, Paytm bank is yet to get a good hold on customers. These are still in the adaption phase in the development and diffusion pattern.

Paytm controls the end to end whole payment value chain. It is also associated with different banks payment system such as CitiBank. They are among those payment solution providers who fully controls the whole chain, thereby setting an industry standard. This way it characterizes the market adaption phase within the diffusion pattern as well [5].

Currently, there are two revenue models of Paytm which are in the innovation phase. They have plans to tap the loan market and disburse small loans to nearly 500 million people, by 2020. They are also planning to launch a chat app with sophisticated features [6].

6 Discussion

We can notice that making online payments and transaction are recent and is currently in the development stage. This can also be noticed in the growth stage of Paytm. The company started almost 9 years back at that time when not a

lot of people were doing online shopping. This is the reason why the company in the initial stages was only focusing on prepaid mobile recharge and DTH recharge and not on online payment system.

Later people started using online platforms to purchase things in India and number of online transactions increased. This is the reason Paytm changed their focus a bit and launched into e-commerce and Paytm Wallet for online deals and for making online payments.

Several companies use online payments on their website. This has a connection with the re-orientation stage of the company, where Paytm collaborated with some of the big companies like Alibaba Group, Berkshire Hathway, Sapphire Ventures, etc. Paytm could receive funding from these big companies because of the growing demand for safe online payment solutions. Furthermore, with the increasing responsibility to the company's service the company has got plans of expansion on a global level.

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