

FUNDAMENTALS OF MANAGEMENT

ANALYSIS OF **paytm**



Under the Supervision of Ms. Kamini Mishra

Presented By:

Tejas Harish Borkar 2K18/CO/373

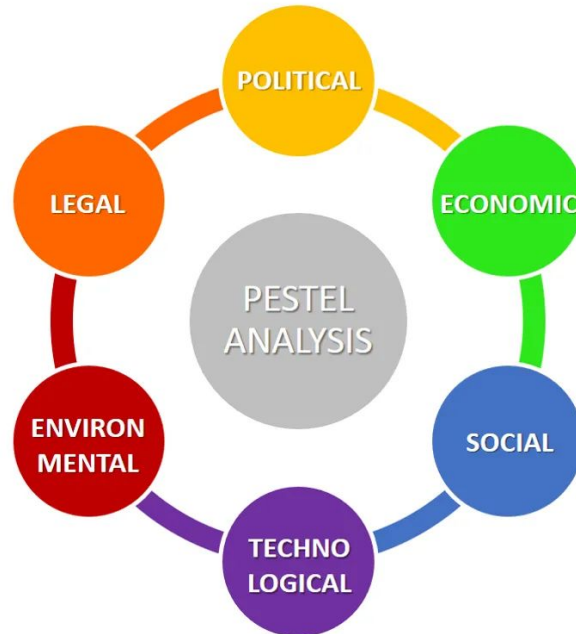
Tushar Ahuja 2K18/CO/374

INTRODUCTION

- One97 Communications Ltd established “Pay Through Mobile” which is popularly known as PayTM in August 2010 as a prepaid mobile recharge website.
- It allows the money transfer into its integrated wallet and can be used to make payments for metro cards, DTH, data cards, electricity bills, water bills, etc.
- It has also entered m-commerce which allows small business owners to list their products on its website.
- It is highly secure and reliable and is approved by the Reserve Bank of India

PESTEL ANALYSIS

- PESTEL stands for Political, Economic, Social, Technological, Environmental, and Legal
- It is a technique for assessing the effect of these external factors on a business.



POLITICAL FACTORS IN PESTEL ANALYSIS

- **Size of Government Budgets** : Since government budgets increase or decrease the government's spending in a certain field it directly or indirectly affects Paytm in the short term as well as the long term.
- **Regulatory Practices** : Government regulations affect Paytm as they need to strictly adhere to them and hence formulate their decisions based on these regulations.
- **Demonetization** : The demonetization of ₹ 500 and ₹1000 notes in November 2016 forced the public to look for alternatives of cash. This is where Paytm came into play and gained popularity.
- **Digital India** : This led to improved internet connectivity around India and the number of mobile phone users also increased. Therefore Paytm was able to target a significant section of the society.

ECONOMIC FACTORS IN PESTEL ANALYSIS

- **Affordable smartphones and internet** : Since Paytm's inception , smartphones and internet have become more and more affordable. Therefore the number of active internet users has increased with time and hence Paytm is now able to target a larger section of consumers.
- **Increase in per capita income** : Increased earning leads to increased spending. Therefore people are now able to spend much more on smartphones and the internet . Therefore Paytm is able to attract more users to pay for goods and services through its platform.
- **Inflation rate** : A change in the inflation rate may change the prices of goods and services being provided by Paytm and it also affects the consumers. Consumers may choose to keep using Paytm or move to its alternatives. Therefore it varies the consumer base of Paytm.

SOCIAL FACTORS IN PESTEL ANALYSIS

- **Increase in online shopping** : This is a lifestyle change. The number of users purchasing goods online has increased significantly over time. The reasons for this increase are
 - a. Ease of payments
 - b. Variety of products
 - c. Hassle free returns on most items
 - d. Convenience to order

Paytm is benefited directly when consumers purchase goods from their platform and indirectly when consumers pay using Paytm on other platforms. This has led to an increase in the number of transactions taking place on a daily basis.

- **Birth Rate** : An increase in the birth rate is a good sign for Paytm as they can target more consumers in the long run.

TECHNOLOGICAL FACTORS IN PESTEL ANALYSIS

- **Cheap Internet and Increase in the number of internet users :** Due to the advent of Jio in the Indian market , accessing the internet has become very affordable. Therefore the internet is now accessible to more users and this has helped Paytm grow.
- **Most of the internet users access the internet using their smartphones :** Due to this , there is an increase in the number of mobile app users. Therefore Paytm app has become more popular and this has helped Paytm grow over the years.

ENVIRONMENTAL FACTORS IN PESTEL ANALYSIS

- **Extreme Climate/ Widespread disease outbreak** : This may force the user to pay for services or order products online instead of visiting certain offices or shops for the same.
- **Natural calamities** : It may affect the supply chain of its goods and therefore affect the business and the consumers.

LEGAL FACTORS IN PESTEL ANALYSIS

- **Postpaid wallet offering** : Paytm got into a legal tussle regarding its postpaid wallet offering. The legality of the postpaid wallet was questioned by a Public Interest Litigation. It stated that even though Paytm wasn't licensed for credit or loan related services ,it was granted a payments bank license
- **Similar color scheme and logo as of Paypal** : Paytm has faced some legal issues when Paypal filed an infringement case against them. Paypal accused Paytm of copying their color scheme for their logo. They also accused Paytm for using the word “pay” in their name that was similar to Paypal.

CORPORATE SOCIAL RESPONSIBILITY

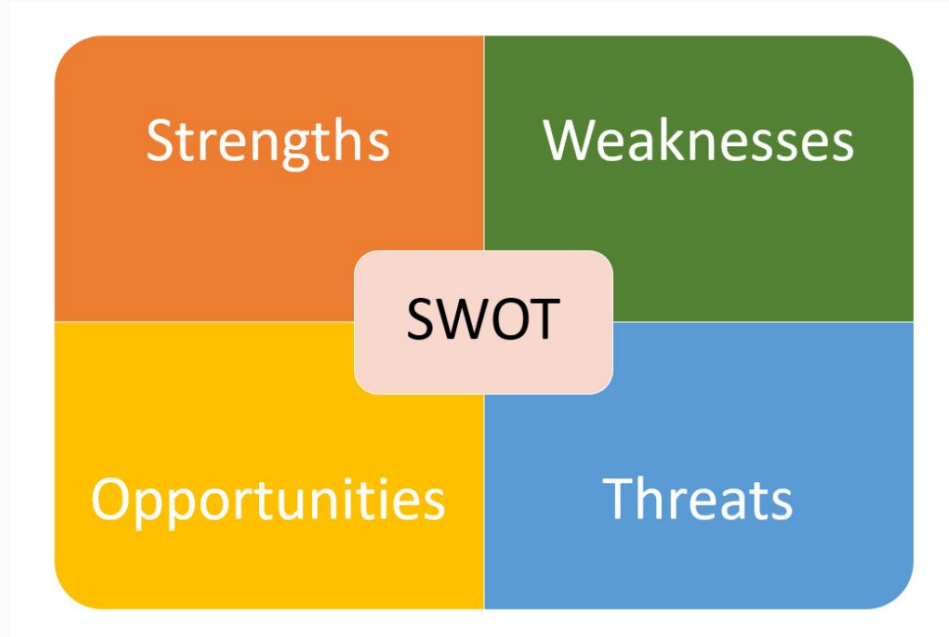
- **Donation to Bhopal Gas Tragedy survivors** : Paytm donated towards the rehabilitation of the survivors of the Bhopal Gas Tragedy and also encouraged its users for the same.
- **Independence Day Campaign for the future of India- Skill training of youth** : Paytm donated ₹537,273 in order to empower the youth of the country.
- **Donation to the PM-Cares fund during Covid-19** : Paytm decided to contribute ₹10 for every single user who pays to the PM CARES fund via their app. They were able to collect over 100 Crore through their App in 10 days. Their 1,200 employees have contributed their 15 days or even a few months of their salaries to the fund.
- **Joy of Giving Week** : In October 2009 , Paytm participated in Joy of Giving week to collect and contribute clothes and other items to Goonj that distributed them to the disaster hit regions of the country.

CORPORATE SOCIAL RESPONSIBILITY

- **J&K Floods Campaign :** It was an initiative to provide assistance to the victims of the Jammu and Kashmir floods where Paytm matched each donation rupee for rupee and the proceeds were donated to the Prime Minister's National Relief Fund
- **Republic Day Campaign for the underprivileged soldiers & families :** Paytm donated its profits on 26th Jan 2014 to support the differently-abled children, widows and differently-abled soldiers.
- **Uttarakhand Floods Campaign :** Paytm donated Rs. 20,10,862 to the Uttarakhand CM Relief Fund to aid the Uttarakhand flood victims and help the government's rebuilding efforts in the region.
- **Diwali Campaign for the Blind :** Paytm donated profits earned on transactions made on Diwali days during 2013 to the National Association for the Blind. This helped to support the education of blind girls, their vocational training and food.

SWOT ANALYSIS

- SWOT stands for Strengths, Weaknesses, Opportunities, and Threats.
- SWOT Analysis is a technique to judge these four aspects of a business.



Strengths in SWOT Analysis

- **First Mover Advantage:** Paytm was the first online payment company to set up in India. Their planning was wonderful since they began around a similar time when smartphones were getting popular.
- **Convenient option:** Since we can make transactions anywhere, anytime therefore it is very convenient option.
- **Relations with merchants:** Paytm can be used to transact with more than 3 million merchants across India and the number is said to be growing every day. This makes Paytm an easy payment option for most customers.
- **Bucket of services:** Most of what one desires to do online can be done through Paytm. In addition to the Paytm Wallet, today the it has online reservation facilities, online retail, and online recharge.
- **Offers:** Paytm has been able to grab and hold the attention of customers primarily because of the never-ending offer stream it has been announcing. These are custom designed with the Indian mindset in the frame and thus works like magic for zooming sales.

Weakness in SWOT Analysis

- **Needs IT Infrastructure:** If Paytm want to expand itself then there must be good bandwidth and speed. This may be there in most cities in India but may not the case in remote locations or even tier 2 towns.
- **Lack of awareness amongst users:** Most users are ignorant of how Paytm can help them and confused about how the application should be utilized. The level of awareness of technology tools and the inherent fear of making erroneous transactions is making things worse.
- **Fear of going cashless :** Most Indians are used to transacting on cash and are yet to get used to being used to cashless transactions. However, with digitization and demonetization, things are expected to pick up and this will help online wallet services.
- **Poor customer support:** One criticism leveled against Paytm is its poor customer service. The app and the portal cater to a wide variety of customers whose concerns may be minor. It is alleged that the call center executives are often rude and unable to handle many of the queries,

Opportunities in SWOT Analysis

- **Growing demand for aggregators:** Aggregators and middlemen are in demand everywhere today. With growing technology usage people prefer to make most payments online. This has increased the role of payment aggregators in India.
- **Demonetisation:** One of the services that benefited heavily and have more opportunities from the demonetization was online payment services and Paytm was one of the biggest beneficiaries.
- **Covid-19 Pandemic:** The services that benefited heavily due to pandemic are online payments, online shopping and food delivery etc. Due to covid-19, the concept of social distancing is being implemented, and hence people are hesitant to make any physical contact that includes cash exchange, therefore online payment is preferred by many people these days.

Threats in SWOT Analysis

- **Competition:** With lowered barriers to entry, every new entrepreneur is looking at aggregating services. There are a lot of online portals like freecharge, google pay etc and even telecom service providers like Airtel and Vodafone are providing online payment gateways.
- **Growing concerns about safety:** Today there is negative imagery of information security and tracking of shopping habits. There is also growing concerns about how safe the information submitted to payment portals are and the level to which such portals or payments made through them are monitored.

Marketing Strategy

Marketing Mix of Paytm analyses the brand which covers 4Ps (Product, Price, Place, Promotion) and explains the Paytm marketing strategy.

Paytm Product Strategy:

- Paytm offers various products & services in its marketing mix like e-wallet, online shopping etc. The name Paytm is a short form for pay through mobile. Customers can access the portal on computers and apps on their smartphones for making online payments like mobile recharge, bills, shopping etc. and also to pay bills like electricity, DTH services, movie tickets etc.
- Payments bank from Paytm enable customers to have bank accounts like any other bank and have access to services like debit card, savings account etc.

Paytm Price/Pricing Strategy:

- Paytm is free to use. The foundation of payment was because of series of investments they received. Indian business tycoons had invested in Paytm as a personal investment in the brand. Paytm also receives fundings from Alibaba group.
- Paytm earns its revenue from commission which happens on the transactions. Also, money deposited and stored in the E-wallets are also used to generate income through interest.

Marketing Strategy

Paytm Place & Distribution Strategy:

- Paytm, is accessible everywhere through a smartphone or laptop having internet connection.
- The service is currently serving the Indian consumers throughout the country.
- Paytm is widely accepted as a mode of payment across various industries and sectors.
- Paytm has also launched services in Canada.

Paytm Promotion & Advertising Strategy:

- Paytm utilises all the digital and print media to promote and advertise their services. Paytm was made an easily recognized name, utilizing an expression from the catchy phrase "Paytm karo". Paytm also uses social media for promotion
- Event sponsorships: The company was associated with sponsoring a variety of events, competitions. Paytm is the official sponsor of Indian cricket team, which gives the brand world wide publicity and exposure.

Unethical Issues in Market

Unethical issues in the Market Environment are defined as misleading, exploiting and spamming that isn't morally right or proper for an industry. This unethical marketing practice may include intentionally evoking rage or sadness to manipulate consumer decisions, using fear tactics etc.

Unethical issues regarding Paytm:

- **Focus on advertising at the cost of infrastructure:** Paytm was struggling to cater 170 million clients, 20 million of whom joined between 10 November to 20 December 2016 (demonetisation). Moreover paytm app disappeared from the iOS App Store because app was buggy. From all the above incidents we can conclude that Paytm was not paying attention toward the application performance, instead they were more focused on advertising.
- **Suspected Insider Fraud:** Paytm's employees were suspected by CBI investigators for defrauding the company. It was reported that based on complaints from Paytm, two cases of fraud amounting to nearly Rs 10 lakh had been registered against 22 private individuals. The police suspect that insiders facilitated the fraud.

Unethical Issues in Market

- **Controversial Advertising Strategy:**

- Paytm promotion on the morning of 9 November 2016 complimenting Prime Minister for "taking the boldest choice in the financial history of Independent India". The insults of "Pay to Modi", "Pay to Me" are not simply smart jokes, they hauled Paytm into a political conflict.
- The digital ad 'Drama Bandh Karo...Paytm Karo' was seen to be mocking the situation and wasn't appreciated by viewers. The brand modified the 'Drama bandh karo' tagline to 'Chinta Mat Karo, Paytm Karo'.

- **Trademark Infringement Case filed by PayPal**

US-based e-wallet company, PayPal filed a trademark infringement case against Paytm. In the complaint, PayPal has said that Paytm has no reason to adopt identical colours and colour scheme other than to take advantage of the reputation built by PayPal.

THANKYOU!

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