Assignment - 1

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Table of contents

1. Problem Statement
2. UPI Market
3. PhonePe
4. Target group
5. Competitor Analysis
6. Environment factors
7. Suggestion

Problem statement

You've been onboarded as a product consultant for **PhonePe** a product that is similar to GooglePay in terms of features and offerings. As a strategic decision maker, you have to work towards building a USP for **PhonePe**.

You must submit the following 2 parts –

PART 1: Research doc

Here, you have to recommend a strategy based on your research (qualitative and data insights to back it) wrt the product offering to set yourself apart with a Unique Selling Proposition (USP) for end customers. You have to prepare a document on market research. And for your competitors, list down their -

1. Product Strategy /   Vision

2. Target Group(s) / Minimum Viable segment(s)

3. Environmental Factors

4. Differentiators

PART 2: Business model doc

You have been tasked with creating a 1-year revenue estimation. Make sure you provide all calculations underlying your assumptions in as much detail available to you.

JUDGING CRITERIA:

- The following criteria will be used to judge your submission:

- Structure of the document

- Articulation, language, written communication skills

- Strategic thought process

- Depth and precision of research

- Rationale used to support arguments

- Feasibility, practicality and effectiveness of the recommendations

UPI Market

- ❖ Unified payment Interface(UPI) estimated to grow by USD 65.49 trillion at CAGR 132.98 % from 2021 to 2026.

- ❖ Growth for 2022: 130%.

- ❖ Month-on-month increase for number of transactions is at least 15%.

- ❖ Major driving factor is Instant and smooth money transfer process.

- ❖ Type: P2P(Peer to Peer) - 77.15% of total transactions and remaining P2M(Peer to Merchant).

- ❖ In terms of volume, P2M - 55.57% and P2P – 44.43%.

- ❖ Applications: Money transfers, Bill payments, Point of sale(POS).

- ❖ Fragmented with several players

- ❖ Paytm, PhonePe, GPay together accounts for 96% UPI transactions by value (March 2023).

- ❖ Growing emergence for shopping transactions.

- ❖ Growth risk for other cashless payments – credit, debit cards & others.

PhonePe

❖ **Vision:** To build a large, scalable & open transaction ecosystem that creates the maximum positive impact for all stakeholders.

❖ Overall valuation of over USD12 billion in 2023.

❖ Handles more than USD2 billion monthly transactions.

❖ Leader in both number and value of transactions.

❖ Current revenue model encompasses from Transaction fees, merchant services, insurance brokerage, affiliate commissions, Ads & promotions.

❖ Offerings includes smart speaker, pulse, pincode app, merchant lending platform, POS device.

❖ Available in multiple Indian languages.

❖ Variety of offers including health insurance, cash loan and share market funds.

Target group

Working Professionals

➢ Tech Savvy

➢ Income via Monthly salary

➢ 5 to 6 transactions per day

➢ Often visits the same vendors, sometimes different.

➢ Uses for eating, drinking & shopping.

➢ Prefers UPI payment.

Pain Points:

• Struggles with making multiple small payments.

• Wants to oversee the cumulative transactions in a month/week.

Small Shop vendors

➢ Novice in tech.

➢ Income via daily selling/transactions.

➢ 80 to 100 transactions per day.

➢ Deals with multiple customers all the day.

➢ Prefers UPI & cash payments.

Pain points:

• Struggles with switching between cash and online transactions.

• Focusing on multiple customers.

• Confirming UPI payments when customer side is debited.

Competitor Analysis (GPay)

- Market share (No of transactions): PhonePe(46.4%), GPay(34.8%), Paytm(14.7%)

- Transactions by Value: PhonePe(49.4%), GPay(33.8%), Paytm(10.8%).

Pros of GPay

- GPay offers cashbacks and rewards in a more gamified manner.

- Seamless integration with Google's other services.

- Ready available for commercial purposes, it is easy to integrate, and there is no requirement to pay fees.

- More security layer for the transactions.

- Can hold digital boarding passes or tickets.

- Strong recordkeeping for the incoming and outgoing payments along with customer invoices.

Cons of Gpay

- Less number of offerings than PhonePe.

- Limited availability in certain countries.

- Limited list of Participating banks.

- Slow bank account transfers.
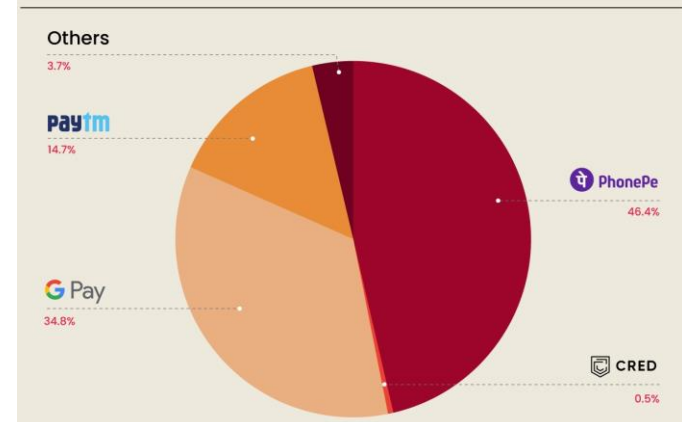
Environmental factors

- *Demographic:*

Youngest nation in the world with median age of 29 yrs who are tech savvy and easy to adapt to any new tech.

- *Technological:*

Mobile penetration is around 76.6% as of 2022, its estimated to increase over 86% in 2026. And Internet penetration is increasing with 48.7% as of 2022. And 5G network is getting rolled out in phases across several districts.

- *Economic:*

Discounts, cashbacks, referral bonuses are the prime methods of acquisition.

Suggestion

In-app Credit/Account book:

✓ Target audience are the small business where the value of transaction is very less compared to the number of transactions.

✓ Even with UPI and mobile app, small vendors still maintain a physical notebook to track the transaction records and credits.

✓ Idea is to implement a account option between the vendor and the customer.

✓ Instead of multiple transactions of small amounts, the feature will let the customer to credit a large amount like INR500 and for every transaction, it will get debited automatically upon the request from vendor side and response from customer side.

✓ This works as like simple request and accept prompt between the two sides instead of sophisticated actual money transfer.

✓ This simulates the ease of business between the target parties and reduces the load of the app & bank servers.

Suggestion

✓ Initial the feature to be limited to number of such interactions.

✓ Metrics to be monitored are No of Accounts book created, No of internal transactions in the account book, Is no of transactions reduced still maintaining the value of transactions.

Thank You