

Abstract

Paytm is one of the India's largest mobile commerce platform. They started their journey by offering mobile recharge and utility bill payments. Today it offers a full marketplace to consumers on its mobile apps with the introduction of shopping platform on its mobile wallet recharge app. Paytm is deepening their roots in Indian e-commerce market. With a very short span of time, there are over 25 million registered users and are expected to double by the end of this year. Paytm's success is followed by adverse challenges in the face of banks and e-tailors like Flipkart, Snapdeal who are on the path of introducing their own mobile wallets. In order to survive and grow in the market Paytm is developing effective marketing strategies and are expanding their operational competitiveness. Thus, taking a step closer to their aim of strengthening their user base.

Keywords: Paytm Wallet, Banking apps, M-Wallet, E-Commerce market, Online Payments.

We are living in a technologically advanced era where people depend on Internet for everything. We no longer visit local telecom operators for getting a recharge in mobile phones, instead we do it ourselves using Internet. The Paytm wallet was introduced in the year 2014, which was a big challenge for the company to frame the prototype and getting the approval from RBI for its execution in the market. Keep your wallets on Mobile was the icebreaker session from Paytm. When the recharge goes down, your cash is with you stored in your wallet. This thought itself gives the seal of trust that it guarantees with your cash. Many other players already had a pilot phase for the idea but Paytm ensured that the people have the reliability on them for the deposits were safe in the Paytm wallet. There are around 650 million-mobile phone subscribers and 280 million people with individual bank accounts. These numbers are adequate to think how digitalizing your payments for mobile phones, electronic dongles and recharge-based services will monetize the profitability. The crucial business here is establishing the trust with the customers that their money is safe and customers prefers to be intimated when something goes wrong which automatically builds the sense of care for their money.

Introduction

Paytm is an acronym for “**Pay Through Mobile.**” Paytm was founded and incubated by One97 Communications in 2010 as a prepaid mobile recharge website. The company is headquartered in Noida, India. It gradually started providing recharging and bill payment facility of various portals including electricity bills as well as telephone bills. Today, Paytm is India’s largest mobile commerce platform offering a full marketplace to consumers on its mobile apps. There are over 25 million registered users. In a very short span of time, Paytm’s mobile wallet is being used by more than 20 million users to pay for various services. Paytm is the consumer brand of India’s leading mobile Internet Company One97 Communications. One97 investors include SAIF Partners, SAP Ventures and Intel Capital.

In 2014, Paytm started the retail business in addition of their existing business of recharge. They give users a platform to not only recharge prepaid mobiles & DTH

recharge but also to shop online same like Flipkart, Amazon and Snapdeal. Recharge facility gave them the edge over other online retail sites. Their mission is “100 Million user product from India. This is one of the greatest journeys we have undertaken. While we are focused on this mission, we are working equally hard to be the most trusted mobile commerce brand in the country.”

Services: The Company launched Paytm Wallet in 2014, India’s largest mobile payment service platform with over 20 million wallets. The service became the preferred mode of payment not only across leading consumer Internet companies such as Uber, Bookmyshow, Makemytrip, etc but also many offline retailers and service providers like IRCTC, AIACA, Mahindra Two Wheelers, CCD, Domino’s etc.

Paytm was valued at \$250 million in 2011. With the funding of \$625 million by Chinese e-commerce company Alibaba and existing investor SAIF Partners together, the value of the company increased and is currently \$1.5 Billion. With this funding there has been a vast change in the share holding in the company. [SAIF Partners](#) will continue to be the single largest equity holder in Paytm. The remaining equity is with minority shareholders, including Reliance Capital, Silicon Valley Bank and employees.

Exhibit 1: The change in company’s Stake before and after the funding.

Companies	Stake (%) Before	Stake (%) After
Alibaba & Alipay	Nil	40%
CEO	35%	22%
SAIF	50%	33%
Other Investors	15%	5%

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With these funding, growth in the operational and promotional activities will have a rising graph in the organization.

Funding: Paytm got a major boost in ecommerce when Indian Industrialist **Ratan Tata** made personal investment in the firm in March 2015. In the same month, the company received a \$575 Million investment from Chinese e-commerce company AlibabaGroup, after **Ant Financial Service Group**- An Alibaba Group affiliate, took 25% stake in One97 as part of a strategic agreement.

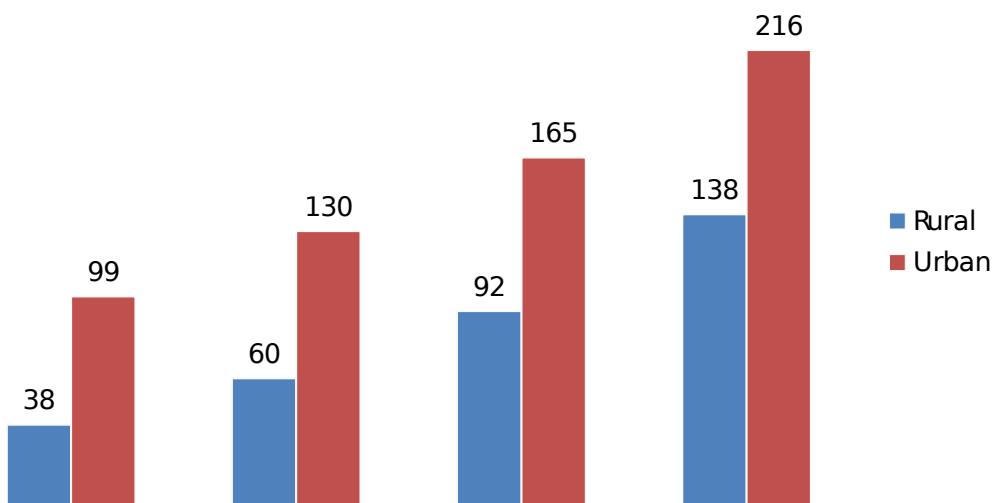
Milestones of Paytm

In 2009	<ul style="list-style-type: none"> Paytm Gets registered as a subsidiary of One97 Communication.
In 2010	<ul style="list-style-type: none"> Paytm launches as an online recharge portal. Grows to more than 50k recharges in a day.
In 2011	<ul style="list-style-type: none"> Grows to become India's biggest recharge portal.
In 2012	<ul style="list-style-type: none"> Postpaid bill payment launched. Utility payment (Electricity, Gas, DTH introduced). 1 million users crossed. Customer Care goes 24x7. Introduction of premium offer coupons.
In 2013	<ul style="list-style-type: none"> Gets the RBI license for Semi Closed Wallet. Crosses 300,000 orders a day. Adopts IMPS as a new payment method.
In 2014	<ul style="list-style-type: none"> Paytm App has been featured as “Best of 2014 app” by Apple AppStore. Launches the first mobile only Marketplace for shopping. 22 million customers get registered. 12 million App users More than 15,000 merchants start using Paytm Wallet outside of Paytm. Reaches 800,000 orders per day. Launches Semi Closed Wallet.

Indian E-commerce Market

India has an Internet user base of about 243.2 million as of January 2014. Despite being third largest user base in world, the penetration of Internet is low compared to markets like the United States, United Kingdom or France but is growing much faster, adding around 6 million new entrants every month. The Indian E-commerce, uncovering innovation study reveals that the digital commerce market in India has grown progressively from 4.4 billion in 2010 to 13.6 billion in 2014 and is likely to touch 16 billion by the end of 2015 on the back of growing internet population and increased online shoppers.

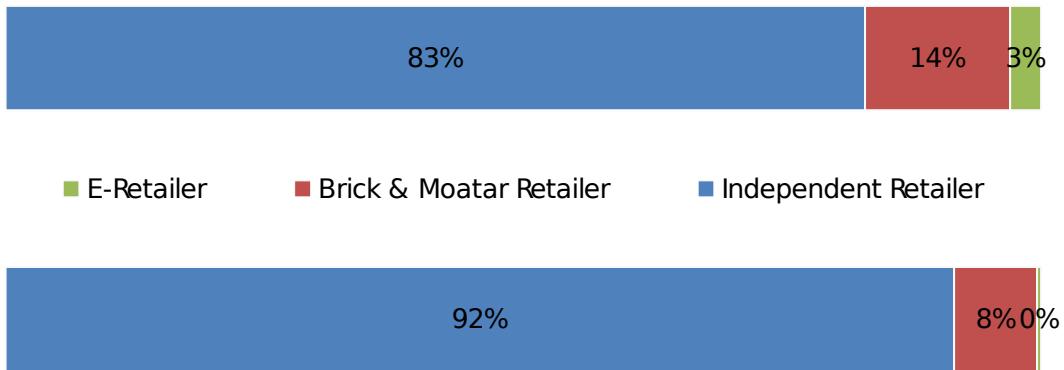
Exhibit 2: Geographical distribution of Internet users in India (Millions)



Source: IAMAI_IMRB Media Press Report on Mobile & Internet

According to the research and survey done by the PWC on the Geographical distribution of internet users in India states that 216 million users are currently present in urban India with 138 million users in rural India. There has been an increase of 30% and 50% respectively in urban and rural area of India.

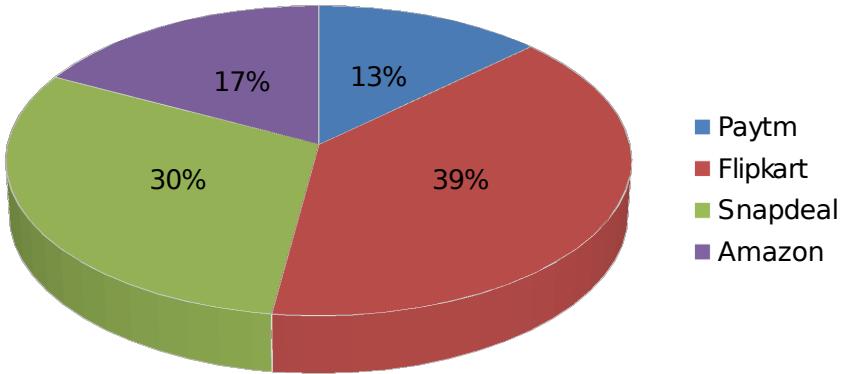
Exhibit 3: Share of E-Tail in Indian Retail



Source: Technopak; Accel Partners

The analysis done by one of the big 4 auditing and consultancy firm PWC says that the share of E-retailers & Bricks and mortar retailers will have an increase in their size of existence whereas by the independent retailing will have decrease by the next 5 years as the change in the purchasing pattern of the people is shift on buying the products are online. As of Q1 2015, seven Indian e-commerce companies have managed to achieve billion-dollar valuation. Namely, Flipkart, Snapdeal, InMobi, Quikr, OlaCabs, and Paytm.

Exhibit 4: Gross Merchandise Value of E-commerce Competitors.



Source: IAMAI_IMRB Media

The GMV is predicted on the basis of the strong growth in the transaction on its market place. **The Gross Merchandise Value** is the Revenue Run Rate term used in online retailing to indicate total sales value of merchandise sold through market place over a period of time. In terms of growth, Paytm is reported to have grown to a whopping 350% in 2012 to 2013. According to the statistics given by paytm account handlers- 75% of the revenue comes from mobile recharge and DTH. If we look at the e-commerce space, Mobile becomes the prime focus from the heavy funded ventures. Recently, Snapdeal reported that 50% of its orders comes via devices on the go. Meanwhile, Flipkart CEO Sachin Bansal has also revealed that his company's intention of becoming a mobile centric entity. Having said that, the new phase of growth for e-commerce companies will come from mobile, and Paytm's marketplace is all set to give them a tough competition.

Existing Rivals for Paytm

1. **Freecharge**, which was recently acquired by Snapdeal for an estimate \$400 million, making it one of the largest deal in the consumer internet space in India. Freecharge is famous to get discount coupons while recharging mobile. Bill payments or DTH connection. Users get to choose coupons of many stores to name a few Amazon, Jabong, eBay, Dominos, CCD etc.

2. **Mobikwik** is also another recharge platform which also offers cashback coupons i.e. add money in your account and then redeem promo code. The added cashback can be used to recharge and buying stuffs on other shopping sites using Mobikwik Wallet.
3. **Public & Private Banks like SBI, ICICI, HDFC** have launched their m-wallet known as SBI Buddy, Bank Pocket and PayZapp respectively as their mobile wallet app recently. These apps are similar to saving bank accounts that can be accessed through mobile phones. A number of banks, are planning to launch their m-wallets as they sense that this model of business will gain acceptance among youth and affluent who prefer online shopping with their smartphones.

Growth and Marketing Strategy

- Paytm has gradually tipped the scales in favour of bus ticketing, gifts & sweets and releasing coupon-based advertisements. This simulates the notion of two targets with one dart business. The business model clearly depicted that Payment along with Marketing creates a marketplace of digital goods.

Exhibit 5: Varied Uses of Paytm Wallet



Source: Paytm official website.

- Paytm's raining offer mega sale, which happened in July was a unique sale for increasing the user's shopping experience. Getting up to 100% Cashback across Home, Sports, Automotive, Books and kids products was a successful marketing strategy.

- Paytm has ventured into industrial supplies to connect its merchants with small and medium enterprises. The move will help sellers on paytm tap into India's vibrant industrial suppliers market.
- Paytm's shopping app combines the old-world bargaining that happens with street vendors in an offline marketplace with an intelligent product discovery experience and the ease of buying on mobile. Users are able to do "real-time bargaining" with merchants selling products on Paytm through its live chat feature
- Paytm Associated with the following entities as their payments platform:-
 - IRCTC
 - Oyo Rooms
 - Uber Taxi services
 - GroupOn
 - Bookmyshow
 - Make My Trip
 - Fab Furnish
 - HomeShop18
 - HealthKart and many more.

- On this 69th Independence Day, Paytm partnered with Nudge Foundation in its cause of sustainable and scalable poverty alleviation. As a socially conscious entity, paytm donated all the recharge and bill payments earnings towards The Nudge Foundation and its efforts to help millions of skill-deficit workforce to overcome poverty. This adds to their CSR activity.
- Paytm won the sponsorship tittle bid for BCCI matches to be held for the next 4 years. The bid closed on value 2.42 Cr for each match to be held under BCCI till 2019. The Company believes that Cricket is the most loved sports preferred by the people of India as compared with other sports. So the company believes in stabilizing much in space.

According to industry estimate, Paytm records close to Rs. 1500 Crore transaction annually whereas Airtel money records somewhere around Rs 2500 Crore. Paytm's ultimate goal is to turn its mobile app users into mobile shoppers, and being able to offer a complete shopping solution goes a long way.

With Growth Comes the Challenges

- Reliance Industries, India Post, Bharti Airtel, Vodafone and Paytm are among 11 applicants that have got 'in principle' approval for **setting up payment banks** that will provide barebones facilities aimed at covering the vast swathe of population that has no access to financial services. This is a challenge for paytm to compete with the companies who are established and renowned in market for more than a decade.
- Public and private sector banks are also getting into the mobile wallet system, which is a competing challenge for private companies offering mobile wallets to the public. People will have more trust on banks when it comes to depositing and withdrawing money, so build the relationship of trust for paytm is an important challenge.

- About 0.12% of the 2.5 million mobile payment transactions that happen on Paytm every day are suspect. That tiny fraction though, is big enough to upset the growth, profitability and very future of India's largest mobile payment company.
- Paytm Wallet that gives an edge to Paytm over other ecommerce retailers. This wallet feature is personal and private to every user who is using it as it involves the details of the bank account number and other monetary information confidential to the user. Providing a secure platform for monetary transaction has to be maintained to a pristine level.

Overcoming The Challenges

An entrepreneur has to think of an idea, which has the ability to solve the problems occurring in the economy but what follows as the most crucial aspect is its execution and the guts of taking the failure as a stepping-stone of experience.

- Building the trust of the customer from being mobile app user to mobile shopper is the at most priority for Paytm. The users need assurance and timely confirmation about there money kept in their paytm wallet account. For this maintenance of trust of the users, paytm is working vigilantly on the security feature and has installed heavy protection software in their systems. Firstly they have made it secure with **firewall protection system** and recently they have introduced **two-step authentication** to secure user data. The authentication process on its website and wallet for customer security and also strengthening its customer database. This authentication process will be applicable to users who return to paytm's site after a long gap or did not log out in the last session.
- Earlier Paytm had four people **managing risk of transaction**, Alibaba has since brought in 15 risk profile engineers from China to Paytm's head office in Noida.

The geeks from Alibaba will help Paytm plug leakages to a more acceptable level from 0.12% to 0.003 % of transaction.

- The **incidence of theft** is high in case of electronic goods and high-end mobiles. Ahead of the rush season, extensive training programmes have been implemented for newly hired delivery and operations personnel. Paytm is now shipping high-value items directly through fulfillment centres.

Following are the reasons given by the company to “Why Use Paytm Wallet?”

- Paytm Wallet is RBI approved.
- It's safe & easy to use.
- You can use it on-the-go using web or mobile.
- You can use it any time and at many places to pay for your purchases.
- You can save money with many exciting cash back offers.
- You can add money using net banking, credit card or debit card. You can even save your card info.
- 45+ banks for net banking (one of the largest payment gateway method of India)
- Upto Rs. 1 Lakh money transfer (following the KYC rules and regulations) otherwise upto Rs. 10,000.
- We provide 24×7 support: Email us at care@paytm.com to help you or ping at [@Paytmcare](https://twitter.com/Paytmcare) on Twitter.

RBI approved Paytm Wallet is the future of money management, easing consumer payments across mobile, web and physical destinations. Paytm Wallet, trusted by over 20 million consumers is the preferred platform for mobile payments. The service offered by paytm has to be secured and encrypted as the cyber security in India is not up to the mark which can lead to hacking of accounts and failure of transactions of the users. Paytm need to build up strong security feature in terms of payment mechanism, to build up trust in the eyes of the people.

Future Plans

- Paytm will probably going to put the messenger in the centre space. They will also add features of all other social networks to be integrated, and some more card-based infrastructure where you can share deals. This innovation will be a game changer for online commerce in India, where customers are traditionally accustomed to negotiating with sellers before any purchase.
- Paytm has announced its plans to venture into international markets. Its pilot expansion plans incorporate Singapore and other South East Asian markets. They have appointed crowd-funding website Milaap's founder Sourabh Sharma to launch their presence in these geographies. The company says that they chose South East Asian markets like Indonesia, Thailand and Malaysia, as they see great opportunity for payments on-the-go via the Paytm Mobile App in this region. Paytm intends to bring, to these markets, their app driven convenience of paying for utility bills in the first phase, and will cater primarily to areas such as bill payments, transportation, parking, metros etc. The company aims to reach up to two million customers in the first year of operations.
- Alibaba is helping Paytm on two fronts: technology and business. Paytm payment platform runs on 200 servers and it now plans to expand to 1500 servers to accommodate new users and enable multiple transactions in real time- from bill payment to shopping.
- Few months back paytm added some members on their board, among them is Inmobi founder Naveen Tewari. Paytm & Inmobi partner to create the largest discovery & mobile shopping platform in India.
- Paytm is working on a plan to introduce insurance cover for bus passengers against a range of risks, such as accidents, missed travel, cancellation of ticket and loss of baggage.

- Paytm is hiring aggressively for product engineering and operations as it has come up with the announcement of hiring 1900 employees over the next 3 quarters. Taking its total headcount to 5000 by the end of this march. 2/3rd of the planned hiring will be in operations and the rest in product engineering.

As we come to the end of this case, we understand the importance of trust and people's trust on you in business when you take responsibility for them. The trust in the consumer comes only with time. Any business or startup needs to have a strong foundation of its core competency so that any business you build on it, wont affect the central theme which makes it and that is what Paytm is centering to be one successful firm in near future.

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