A case study on e-payment giants : PayTM

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Paytm is an Indian payment and commerce company based out of Delhi NCR, India. Launched in August 2010, it is the consumer brand of parent One97 Communications. The name is an acronym for **"Pay Through Mobile."** In 2015, Paytm became the first Indian company to receive funding from Chinese **e Commerce company Alibaba,** after it raised over $625 million at a valuation of $1.5 billion. The Alibaba Group was the biggest stakeholder in Paytm parent company One97 Communications.[3] In August 2016, Paytm received an investment from Mountain Capital, one of Taiwan-based MediaTek's investment funds, which valued Paytm at of over USD$5 billion.

The company employs over 13,000 employees as of January, 2017 and has 3 million offline merchants across India. It also operates the Paytm payment gateway and the Paytm Wallet.

Paytm launched bill payments services in Canada, its first overseas market, on 16 March 2017.[4][5] The new app allows Canadians to pay their utility bills.[6]

Paytm	
Type of business	Private
Type of site	E-commerce
Founded	2010
Headquarters	Noida, Uttar Pradesh, India
Services	Online shopping Payment system
Parent	One97[1]

Website	paytm.com
Alexa rank	351 (February 2017)[2]
Current status	Online

ABSTRACT :

Now a days, the Case Study poseses a strategic question that in the emerging internet based service provision industry or organisation, whether it is a better strategy to develop a unique positioning on the basis of single key service or it's better for an organization to offer multiple services, thereby reducing risk, increasing traction and thus increasing its valuation? To answer this fundamental question, the present study employs the case example of leading e-platforms: PayTM that are employing diametrically opposite strategies in order to scale up their ventures. It also examines the role of Push and Pull strategies in a single industry, thus drawing the reader to take a position, which is better and why?

Keywords – PayTm, Mobile agent, Load balancing, Cloud load balancing.

1. Intoduction :

Now in present days with Internet people or user base in India reaching 405 million by the end of June 2016 [1] and Internet and Mobile Association of India (IAMAI) reporting that the internet users in India grew 35% from January to June 2016, the emergence and future growth of e-commerce and m-commerce is a foregone conclusion. This is evident from the billion-dollar valuation that the top seven Indian e-Commerce companies including Amazon, Flipkart and PayTM have reached in the early years of their inception. Although the signs with respect to both golbal e-commerce as well as number of users transacting online are encouraging, yet the startegic framework in the online sphere is still emerging. In the absence of reference curves for various business indicators, leading organizations in the same industry are trying contradictory approaches. Some are trying to be almost everything in order to generate more and more business/traffic on their platform while others are trying to be very much focused on attaining a unique positioning in a particular domain. Only the time will determine, which of these business models in the virtual world will generate sustainable and above-average returns in the long run. The same holds true for the strategies employed by two of India's leading e-payment platforms. The present case study portrays the leading company in the e-payment domain: PayTM .

2. Funding[edit]

In March 2015, Indian industrialist Ratan Tata made a personal investment in the firm.[12] The same month, the company received a $575 million investment from Alibaba Group of China, [13] after Ant Financial Services Group, an Alibaba Group affiliate, took a 25% stake in One97 as part of a strategic agreement.[14] Paytm borrowed 300cr from ICICI Bank in March 2016 as working capital.[*citation needed*]

3. Paytm Wallet[edit]

The Paytm Wallet application enables users to book air tickets and taxis, mobile recharge, and payment of DTH, broadband and electricity bills among others, money transfer feature does not available in desktop users and its only available for mobile users.[15] Users can also pay for fuel at Indian Oil Petrol pumps and buy movie tickets at PVR Cinemas through the wallet.

4. Payments bank[edit]

In 2015 Paytm received a license from R B I to start one of India's first payments banks. At the time, the bank intended to use Paytm's existing user base for offering new services, including debit cards, savings accounts, online banking and transfers, to enable a cashless economy. The payments bank would be a separate entity in which the founder Vijay Shekhar Sharma will hold 51%, One97 Communications will hold 39% and 10% will be held by a subsidiary of One97 and Sharma.[16]

Paytm is also approved as an operating unit for integrated bill payment system allowing multiple payment modes for consumers.[17]

Investments, acquisitions and sponsorship

Paytm has invested $5 million in auto rickshaw aggregator and hyperlocal delivery firm Jugnoo.[18] It has also acquired Delhi-based consumer behavior prediction platform Shifu for $8 million[19] and local services startup Near.in for $2 million.[20] Paytm has also spent over INR 200 crores to become the title sponsor of the Indian Cricket team.[*citation needed*]

Organisation Profile :

PayTM, as its abbreviation states, **Pay Through Mobile** was launched in 2010 by One97 communications as a prepaid mobile and DTH recharge company. Gradually, it made its way into the e-commerce market in the year 2014 and further added bus ticketing to its kitty in 2015. PayTM now offers multiple products ranging from primary mobile recharges to buying apparels or electronics enabling customers to get everything at one place. Thus, over a period of time, it has become both a payment platform as well as the marketplace. This strategy not only enables PayTM to serve multiple needs of the customers, giving them a holistic experience by saving their time and efforts but is also expected to be helpful in cross-selling and up-selling and thus increasing the overall profitability of the organization. It has even obtained thes license from Reserve Bank of India to run a Payments Bank. As a result, PayTM is amongst the top e-commerce companies in India.

The business model of PayTM from a recharge web site to a payment cum e-commerce marketplace. It has 100 million Paytm Wallet users that carry out over 75 million transactions every month [2]. China's Alibaba Group with its affiliate Ant Financial invested $775 million in PayTm in September 2016 to raise their stake to 40%, taking its valuation at somewhere around $4 billion [3]. On account of higher valuation, PayTM had resources to stitch Rs.203 Crores worth of deal with Board of Control for Cricket in India for 84 matches. Considering the quantum of following that cricket has in India, this association with BCCI for primary sponsorship rights is sure to get a lot of visibility to PayTM brand and likely to catapult it as a national brand with significantly high brand recall amongst all sections of society.

"Digital Payment" segment in India amounts to USD 28,961.6 million in 2016 and is expected to show an annual growth rate (CAGR 2016-2020) of 18.36% resulting in the total amount of USD 56,837.5 million in 2020. In China, it has reached USD 833,358.4 million in 2016. The "Digital Payment" market's largest segment in India is "Online B2C Commerce" with a total transaction value of USD 28,718.5 million in 2016. With the increasing sales of smart phones year after year and the average time that the users are spending online, this figure is likely to increase significantly in the coming few years. To support this growth, the online payment services are also witnessing tremendous growth trajectory. M-wallet market segment, which currently account for a minuscule part of Digital Payments includes transferring of money, banking transactions, shopping, ticketing, recharging, and bill payments is projected to grow at a CAGR of around 30% in the next five years from 2015-2019. Some of the major m-wallet players are Airtel Money, mRupee, Vodafone m-Pesa, Oxigen Wallet, Paytm, Mobikwik and Idea Money.

BUSINESS MODELS OF PAYTM AND FREECHARGE: A COMPARATIVE ANALYSIS Both the companies started as mobile and DTH recharge companies with e-payment as their core business, however, one chose diversification and the other did not. They represent two strikingly different schools of thoughts when it comes to strategic planning & marketing. PayTM visualizes brand building as a more concrete step in running the business whereas FreeCharge focuses on giving greater benefits to its customers in the form of cash backs and vouchers to retain their engagement. , PayTM clearly appears to be ahead of its rival Freecharge in terms of customer base, unique visitors, revenue and valuation. Both the Companies are doing well and have become giants in just 5 years since their inception. But It is very difficult to decide which one is the right way to move ahead.

PayTM's revenues are sourced from multiple avenues: 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, commission from the seller for their products listed at paytm websites. Free Charge is keeping it simple by not adding any products or services that dilute it's positioning. Vijay Shekhar Sharma, founder - CEO of PayTM , have called each other's approach as 'flawed' . Shah in an interview to Hindustan Times told that combining payment business and hawking (e-commerce) on the same platform as PayTM does is a 'flawed' approach.

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