



PhonePe

Unique Investing Strategy: PhonePe Micro-investing

# Target user persona



Name: Sanjay Aggarwal  
Age: 24  
Designation: Software Engineer  
Location: Bengaluru

## Target User group

We are targetting GenZ and late millenials (age 21 - 35). Since majority of PhonePe users fall in this user group and uncovering their pain points naturally adds more value. ([source](#))

## BIO

- Sanjay is a software engineer who works for one of the leading startups of India.
- He is tech savvy and has integrated digital systems into many aspects of his life
- He has a very busy schedule and his work is hectic as well, due to which he uses tech to automate many parts of his daily routine.
- Sanjay loves to take time out for his personal and financial development, but barely gets time

## Users interaction with digital payment apps

- Uses digital payment apps for almost every transaction in a day, as it is more convenient and easy to use.
- Satisfied with speed and performance of these apps
- Uses additional features which the app offers (bill payments, fastTag, ticket booking etc) integrated with these payment apps

## Users needs and pain points

- Frustrated with scratch cards and rewards giving minimal rewards or displaying "Better luck next time"
- Due to easy-to-use and convenience, ends up overspending via these digital payment apps recklessly
- Wants to invest his money in the market as well, but has no time for research and confused with many available investment platforms

# PhonePe USP

## Introducing PhonePe micro-investments mode

### What ?

- PhonePe will allow users to invest their spare changes into high-risk high-return funds, this can be on every transaction after applying the rounding off logic.
- Users can simply use a toggle to enable micro investing mode, where the app on every transaction will round-off the amount to next 10th multiple, and invest the spare into high-risk funds
- Why high risk high return funds ? Two reasons:
  - 1) Since we are investing only spare change periodically, the user would not mind risking it as less capital is involved.
  - 2) The user would be expecting good returns to get some substantial confidence in investing spare changes.
- Example on how this works:

If a user has to make a payment of Rs. 462, with micro-investment mode on, user will be asked to pay an amount of Rs. 470, and the spare Rs. 8 will be invested into any high-risk high-return funds.

# Micro-investing market insights

## Why should PhonePe enter micro-investing market

- The micro-investing platform market demand is estimated to grow at 21.1% CAGR between 2022 to 2032, compared to 19% CAGR between 2017 and 2021
- Micro-investing is helping young generations and generation X investors into investing minimum amounts of money into markets
- The micro-investing platform market in India accounted upto 7.2% of the global market share in 2021
- As per consumer spending outlook report 2022, nearly 40% of the people of the country are likely to invest in mutual funds and ETF's through micro-investing
- The sales of the micro-investing platform are expected to total \$468.8 million by the end of 2022 and reach \$3187.2 million at the end of 2032.

Attribute	Details
Market value in 2022	US\$ 468.6 Million
Market CAGR 2022 to 2032	21.1%
Share of top 5 players	Around 55%
Forecast Period	2022 to 2032
Historical Data Available for	2017 to 2021
Market Analysis	USD Million for Value

Source: Internet research ([source](#)), secondary research (Podcasts, interviews etc)

# How does it serve the users ?

- Users can start investing minimal amounts into the market, highly beneficial for younger generations who are not knowledgeable enough to do market research and investing. Also beneficial for early working milenials who have no time for finance planning and savings.
- Since high capital is not required in this type of investing, users of any income bracket can start investing via this feature. This is beneficial specially to lower tiers of India.
- The guilt of overspending via digital payment apps can be compensated from investing spare changes from every transaction, which resolves one of the major psychological pain point of the user.

# Business model

- The users can invest as less as Rs. 5
  - The spare changes are first invested in liquid funds until the bare minimum amount for investing, (Rs 100 -Rs 500 in many cases) is met.
  - Then the money can then be invested into the required MF or ETF scheme
  - The user can choose to continue with the liquid fund
- 
- The platform can charge a minimal Rs. 10 as a subscription fee per month for micro investing mode service.

# Environmental factors

- Over the years, the financial habits of Gen Z have been closely studied. Being surrounded by expensive gadgets and smartphones, they are more prone to spending in the consumer market. They are also monetarily savvy, constituting the native digital generation who prefer online shopping. ([Source](#)). The habit of overspending coupled with usage of digital apps for payments will expose and encourage Gen Z users to adopt PhonePe's micro-investing.
- Less than one in five (18%) teenagers say they are currently invested in stocks or mutual funds, far behind all other age groups. However, enthusiasm is high: close to half (46%) express interest in trading stocks or making investments themselves. This new USP will attract a number of young generation users as to get started with investing
- The younger generation would like to see considerable amount of returns over time for them to gain confidence over micro-investing. This can be an advantage or disadvantage based on market conditions, ETF's/funds chosen, political and global economic conditions etc.

# Acquiring Users

- Marketing
  - Push notifications
  - Social media / TV ads
  - Emails
- FOMO factor (Estimated savings showcase)
  - The app can display the amount user could have saved (invested + returns), if the investing mode was on. This display can be done every quarter / month.  
Example: You could have saved \$208 this month with investing mode on,  
Don't miss out and invest now!!



# Revenue Estimates

- Number of registered users on PhonePe = 370 million registered users
- According to sources, only 8% of Indians have a demat account
- But since most users having a digital payment app is more tech savvy than average, they are most likely to have created a demat account already, if not PhonePe can advertise and add demat account opening facility on their platform.
- Considering the above point, we can add a ambiguous 2% into our user share.
- Considering the above two factors, we can assume we will onboard around 10% users into micro-investing

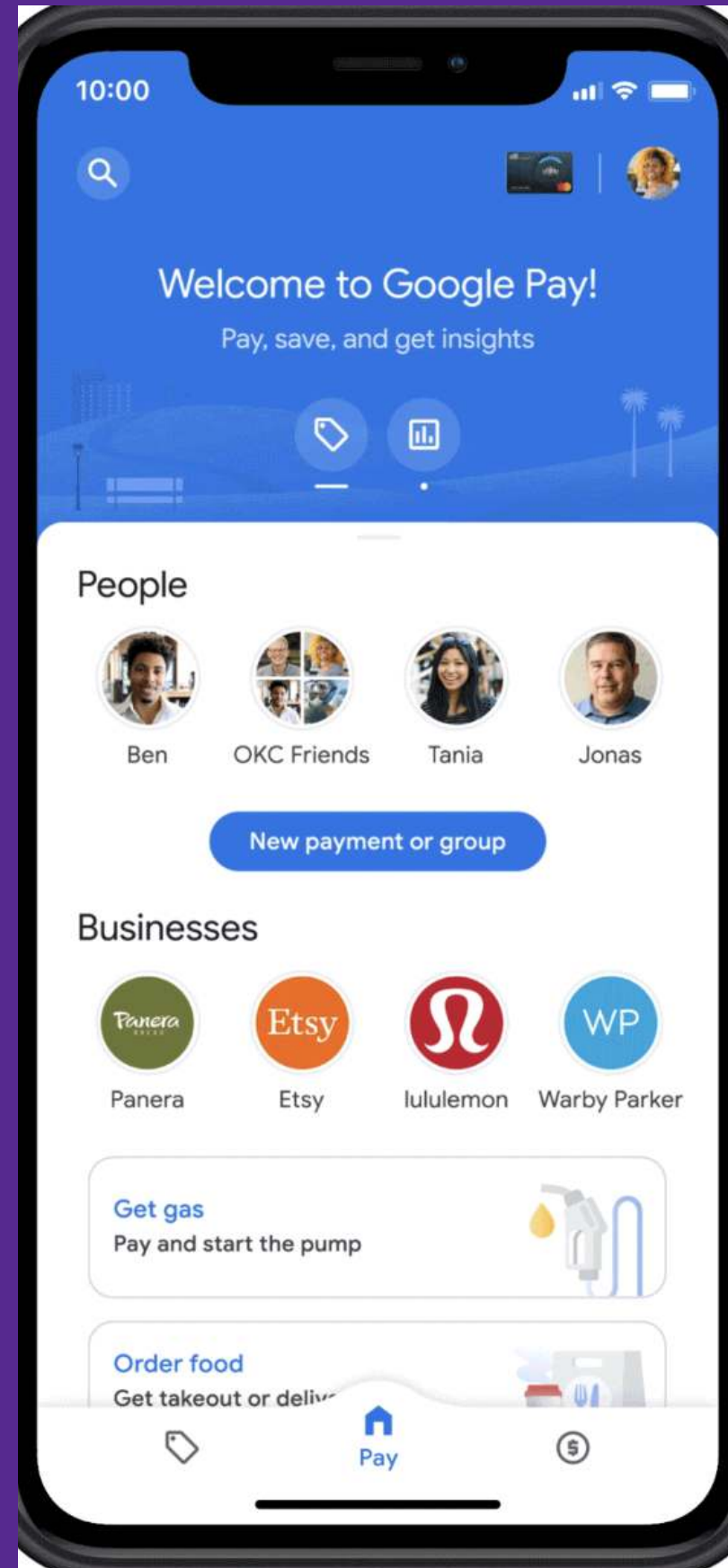
**10% of 370 million users = 37 million users**

**Considering PhonePe charges a minimal subscription fee of Rs. 10 / month**

**Total estimated revenue per month = 37 million \* 10 = Rs. 370 million / month**

# Competitors

## Google Pay



### Google's future vision

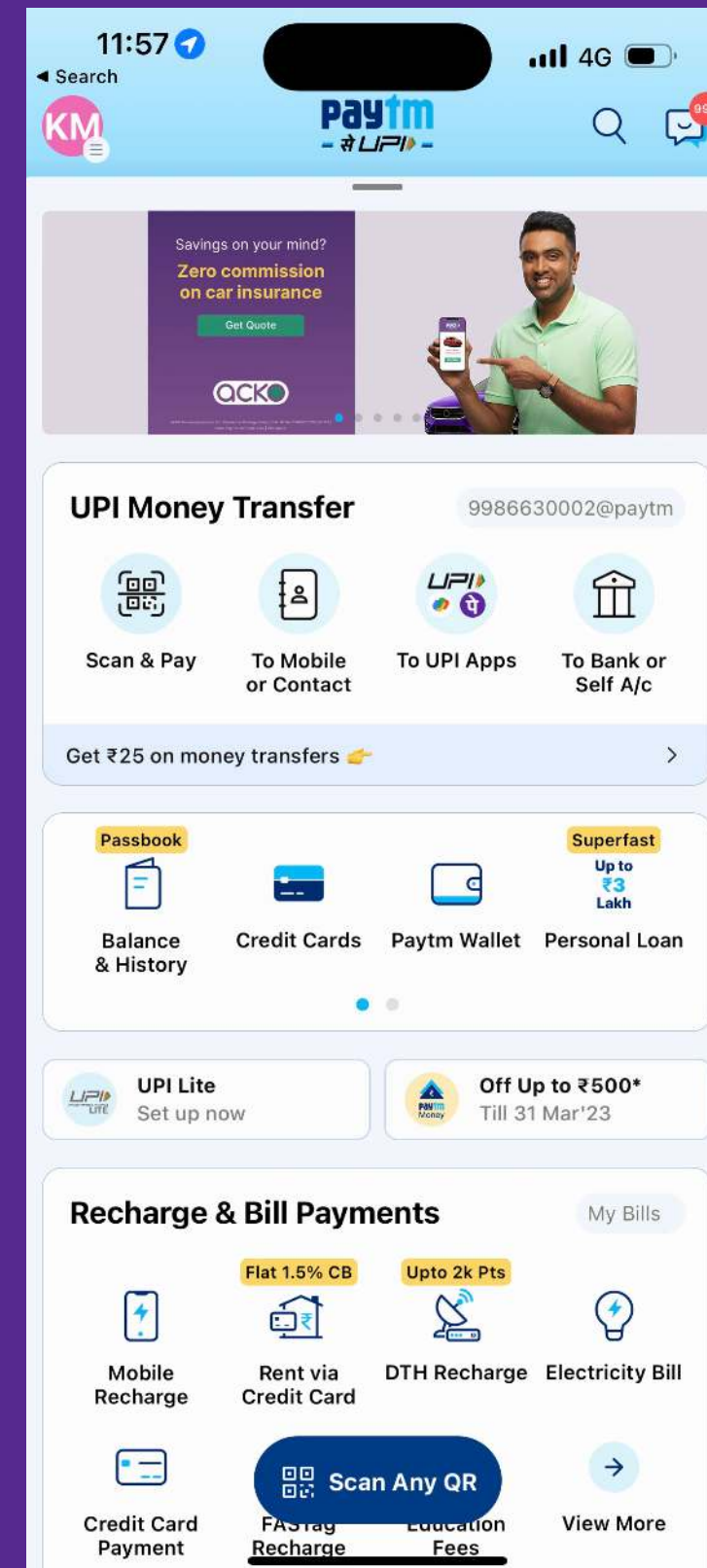
Google is seeking to focus on developing Google Pay into a multipurpose digital wallet by extending the range of cards, passes and tickets that the service supports and is working with cryptocurrency providers to introduce digital cards that will enable users to store crypto assets but still make payments in conventional currencies.

### Unique differentiators

- Google being an already established brand in India, brings in the trust factor which helps in acquiring many users, as trust is one of the biggest factors in Indian FinTech market.
- Google pay offers split bill and group payment options which are very useful to the target group we are focussing on, as they are more active towards social gatherings and outings

# Competitors

## Paytm



### Paytm's future vision

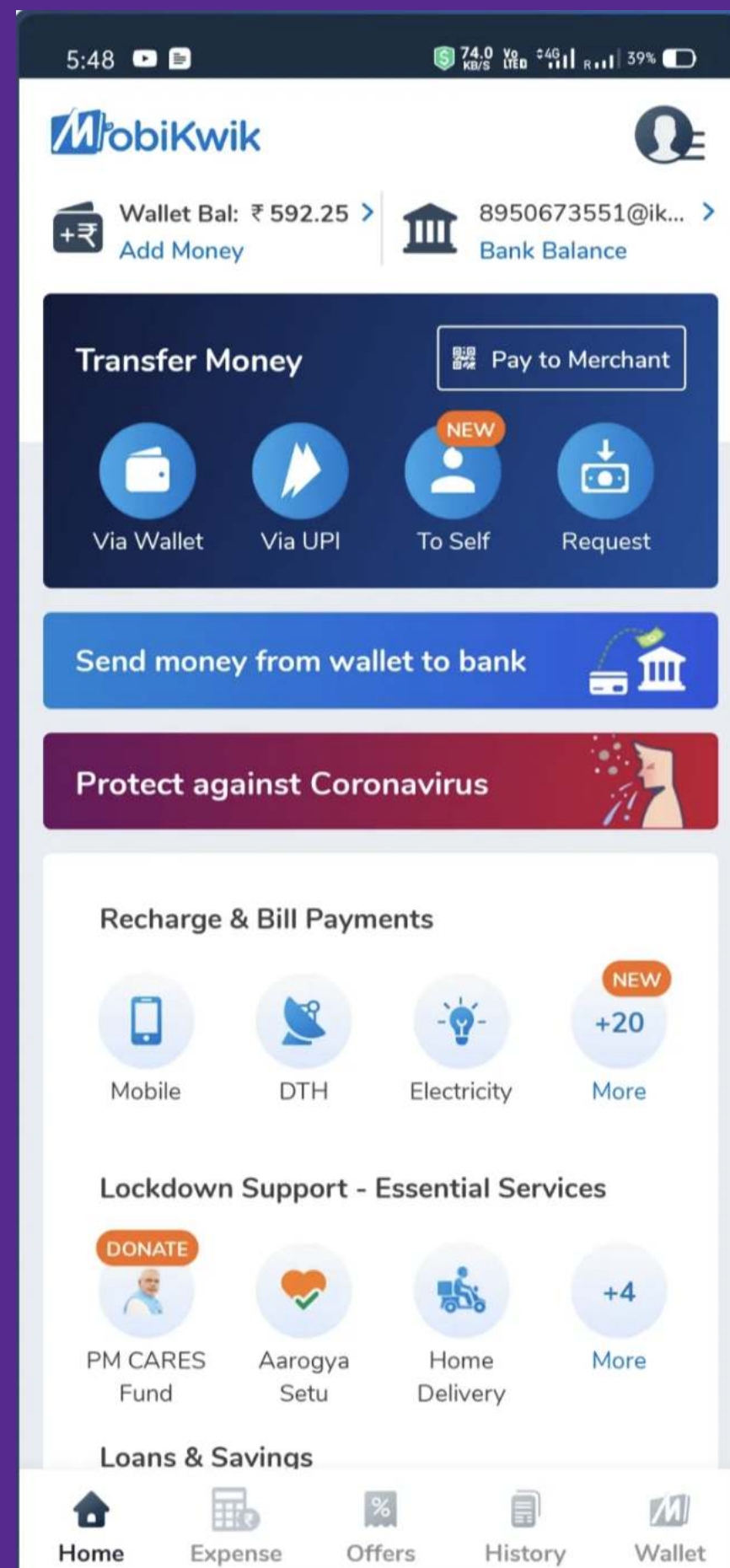
Platform that leverages our capabilities and value propositions for our customers, while allowing us to enhance the effectiveness of our efforts to expand and consolidate our market position in the growing and underpenetrated Peruvian financial system, Our goal is to perue digital excellence, increase earning growth and to perdure cross selling opportunities.

### Unique differentiators

- Paytm offers a super app like experience which provides services from ranging to bill payments, fastTag, ticket bookings etc. The unique standing point of providing multiple services in one-app attracts users of multiple groups
- Paytm has its own digital wallet which is well known and can be integrated with multiple third-party apps, this increases convenience factor which is both beneficial to third party apps and end users.

# Competitors

## Mobikwik



### Mobikwik's future vision

We are the largest Buy Now Pay Later (BNPL) fintech and one of the largest mobile wallets in India. We are focused on addressing the unmet credit needs of the fast-growing digitally paying users by combining the convenience of everyday mobile payments with the benefits of BNPL.

### Unique differentiators

- Mobikwik, similar to Paytm offers multiple digital payments service at one place including mobile recharge and several other bill payments.
- Mobikwik is integrated with many crypto trading apps, which attracts a lot of GenZ and millennial users who are comparatively more enthusiastic about cryptocurrency.