Payments Newsletter

WhatsApp Payments

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*F*Foreword

Dear Readers,

It is my pleasure to bring to you the latest edition of our Payments newsletter, where we look at payments enabled through WhatsApp and its evolving future.

I hope you will find this to be a good and insightful read.

For details or feedback, please write to

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Point of View

WhatsApp Payments

The future of digital payments in India is bright. Newer modes of payment like Bharat QR, mobile wallets, USSD banking, AEPS along with credit, debit and prepaid cards targeted towards improving speed and efficiency of payments are enablers for a less cash economy. Amongst all these, UPI which has tokenized the Bank account, is emerging as a platform that could potentially transform payments.

The rise and rise of UPI
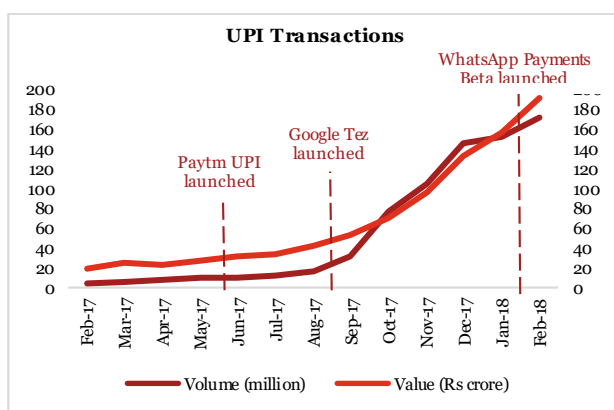
Over the last year, the number of UPI transactions grew over 40 times while value of transactions grew over 10 times. As of December 2017, total number of UPI transactions had already crossed credit card transactions at POS and was half the number of debit card transactions at POS.

While a large number of UPI transactions till date may be peer to peer and incentivized through cashbacks, true value creation will occur once it becomes a preferred choice to pay for goods and services. The universal merchant adoption of UPI will facilitate scale which can make UPI as ubiquitous as cash or card payments. The latest entrant in this space- WhatsApp is well positioned to create this scale.

UPI being a simple, seamless, bank-agnostic payment platform with a mobile focus provides a unique opportunity for any tech company to reach the next billion users in India. After Google Tez, WhatsApp introduced payments via a beta launch of 1 million users in February 2018 to leverage this opportunity. Apart from

being an app that more than 200 million users already know, regularly use and may not easily delete from their device; the key differentiating factors in the WhatsApp payments experience are:

1 ***Seamless sign in experience:*** Unlike other UPI payment apps, payments setup in WhatsApp involves an easy 3 step process of verifying user's phone number, selecting Bank and selecting Bank account. Processes like device binding, creation of VPA and linking of handle with Bank account are all done in the background without user having to get hassled with it.

2 ***Intuitive payment:*** Paying someone is as easy and intuitive as sending a text message or picture. There is no need to enter VPA of the recipient; sender only needs to go to his chat window, tap the 📎 button, tap on Payment, enter amount and authenticate the transaction with 4 digit UPI PIN for instantaneous credit into receiver's Bank account.

3 ***Clean user experience:*** WhatsApp Payments feature has been effortlessly integrated within the messaging app with minimal changes to its user interface. Also, users can easily view recent transactions and linked Bank accounts. The Help section has detailed FAQs with additional support available to describe a problem, attach screenshots and send out an email to the support team with detailed logs embedded in the message, if required.

With its limited feature restricted user Beta launch, WhatsApp payments has heated up the payments space and is now competing with the likes of Paytm, PhonePe and Google Tez. Post the initial uproar by some industry experts, 'Pay using UPI' feature was added which allows users to send payment to any VPA. This feature may not be easily visible; also there is more ground to cover in order to enable interoperability, lest transactions maybe declined for non-compliance to UPI guidelines.

Exploring potential use-cases

WhatsApp has recently launched WhatsApp for Business that enables small businesses to have their own verified business profiles on WhatsApp where they can chat with customers and promote their products. It is already being used for sending e-tickets and delivering updates by online marketplaces. WhatsApp has not just become a whole new sales and marketing channel for small businesses but with the option of paying in-app through UPI, WhatsApp may also be used by customers for instant purchases.

In future, it may also be used for paying utility bills, buying financial services, booking tickets and much more as paying for any product or service would be as easy as sending a simple chat message. Further, with the integration of Bharat QR, where users would be able to read and generate QR codes on WhatsApp, multiple use cases such as offline payment at stores, can be enabled through WhatsApp.

Further, WhatsApp may be able to provide merchants with post purchase analytics, ratings and many more value added services. Data monetization models to analyse where users spend their money and what they purchase may be used for opt-in users and further open up the possibility of creating alternate credit rating models. The opportunities are large if the power of analytics is applied on payments data of 200+ million users.

Challenges going ahead

WhatsApp's foray into the digital payments space signals disruption, however Indian consumers are cautious when it comes to money matters. In the past Banks' have experimented with Facebook and Twitter Banking with minimal uptake. WhatsApp may or may not choose not to incentivize usage unlike its peers, larger challenges that loom over acceptance of the channel are:

Security: Security of transactions has been ensured through device binding and use of UPI PIN for every transaction; however the threat of frauds exists. In the past, customers have been deceived to share banking OTPs; an isolated instance of sharing of device password and UPI PIN may be enough to trigger security concerns in users.

Data Privacy: Payments data is sensitive. The wider adoption of chat based payments may be challenged by user concerns over storage and use of transaction data by WhatsApp or its partners.

Complex VPA: It will be interesting to see how WhatsApp integrates option of collect payments given the auto generated VPA (eg. 9900000099.wa.d9d @icici) is not as easy to remember as compared to VPA created by users on other UPI apps eg. rajesh@upi.
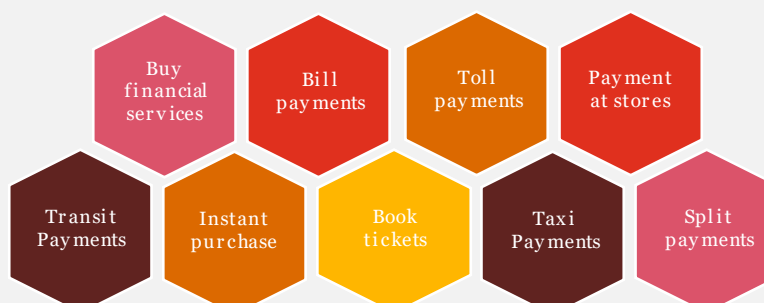
Maintaining a clean UX: Once the complete stack of UPI features including Bharat QR, intent/collect options are integrated into the app, it will be critical for WhatsApp to continue to maintain the same clean user experience to help retain its customer base.

With Google adding a chat feature on its Tez app, it will be interesting to see how the Indian consumer accepts this unique method of making payments. With boundaries between Banks, e-wallets and now social media companies starting to blur where everyone is trying to get customers' mindshare and timeshare, the introduction of this new *'pay as you chat'* channel will further augment adoption of UPI as an easy and instant settlement method. WhatsApp was embraced by common Indian users across age groups and social status because it is utilitarian, simple and free. The real test will be whether this large user base will now prefer making payments through WhatsApp for the same principles.

Author: Neha Jaeel

Potential use-cases for WhatsApp Payments

Buy financial services

Bill payments

Toll payments

Payment at stores

Transit Payments

Instant purchase

Book tickets

Taxi Payments

Split payments

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