

Competitive Analysis For Casche Payment App For Swiss Users

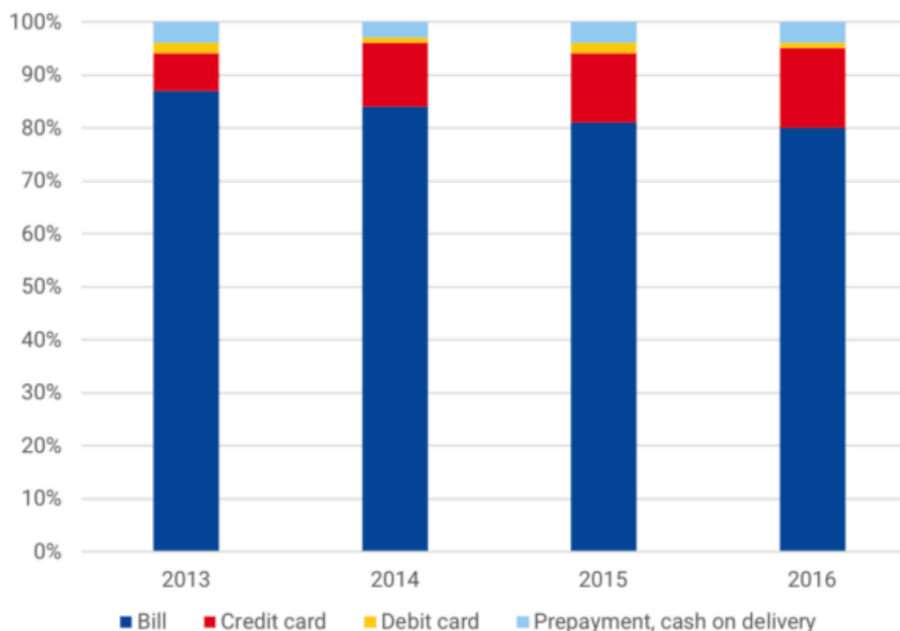
Overview

In preparation for the introduction of a new cashless payment app titled "Casche", the following report will briefly examine the historical and current market trends in Swiss online shopping as well as conduct two competitive analyses.

Market Situation in Switzerland

Online retail continues to grow in Switzerland and its population is generally internet savvy. A survey conducted in 2017 showed that 72% of the population made an online purchase within the prior three months, giving Switzerland the second highest percentage of online shoppers in Europe¹ However, it is important to note that the preferred online payment method is invoicing, followed by credit cards at a very distant second place.

Preferred Payment Method for Online Purchases (Table 1)²



¹ Credit Suisse, <https://www.credit-suisse.com/ch/en/unternehmen/unternehmen-unternehmer/aktuell/die-umsaetze-im-detailhandel-stagnieren-chancen-bietet-der-online-handel.html>

² Online payment methods. Source: GfK/VSV/Post (https://vsv-versandhandel.pcx.ch/app/uploads/2018/04/DE-2017.03.01_Online-und-Versandhandelsmarkt-Schweiz-2016_Abgabe.pdf)

In brief, Swiss customers have the option of requesting to be invoiced for the goods rather than pay upfront. Traditionally, this would mean a separate paper invoice would arrive by mail or with the package itself. Obviously this puts the liability on the vendor, however Swiss consumers prefer this since they are able to verify that the item arrives undamaged and is in working order. **Importantly, Swiss consumers see this as the most secure method of handling their bank account information.** The invoice with payment slip can be paid directly with their bank online, taken to their bank for payment, or paid at a post office.

However there is still hope for the further development of cashless payment systems. More recent figures (2019) , estimate that credit card use for online purchases has increased to 24%, mobile wallet payments have increased to 20%, and invoicing has decreased to 53%.³

One additional consideration with regards to the online shopping, is Switzerland's non-Eurozone and non-EU status. All purchases made with vendors outside of Switzerland (i.e. non Swiss Franc), are subject to currency conversion fees, surcharges, as well as potential import and customs duties on shipping. Furthermore, non-Swiss vendors rarely have a Swiss bank account in order to facilitate the preference for customer invoicing.

In developing any new cashless payment app, it is therefore important to understand the challenges and issues that the Swiss consumer faces with regards to online shopping. As the trend towards cashless payments continues to increase, there is great opportunity to improve the consumers' experience by addressing their most pressing concerns.

Cashless Payment Competitors

Excluding credit cards, debit cards, and invoicing there are essentially four alternate methods of payments that are regularly offered with Swiss online retailers:

- PayPal
- TWINT
- Klarna (instant payment to vendor, loan payment by customer)
- Prepayment by bank transfer

The focus of this report will be on the top two competitors: PayPal and TWINT.

³ JP Morgan, <https://www.jpmorgan.com/merchant-services/insights/reports/switzerland>

Competitor Profile: PayPal



Overview

PayPal is one of the first cashless payment applications ever created. Developed in the United States in 1998, it has grown to 246 million users worldwide, with over 1.2 million users in Switzerland. Of all the cashless payment options for online shopping in Switzerland, PayPal is the market leader in terms of availability during online checkout.

<https://www.paypal.com/ch/home>

Key Objectives

“PayPal, a good solution for everyone”. They emphasize their simple payments to both friends and family, as well as to businesses for purchases. Quick, simple, secure payments are key selling points. There is also a focus on the flexibility of the types of payments one can make worldwide in different currencies.

Bottom Line

- Free to have an account, free to pay friends/family, free to receive payments from friends/family, and free to make payments while shopping within Switzerland.
- Security is their first priority. Your data is secure with PayPal and since you no longer have to give your credentials to every vendor at checkout, you also reduce your risk.
- Connect to your bank account, credit card, or carry a balance within PayPal.

Overall Strategy

Through PayPal's long history, they are well known around the world. They not only advertise online, but they have television commercials and print ads too. They are active on social media and use a special Twitter account as an extension of their customer service help on their website. They also have country specific pages, as their exact product offerings, fees, etc. vary by location. Interestingly, they have different marketing materials even within Switzerland, rather than simply translating the same material from/to German or French.

Bottom Line

- While they are a market leader, their customer service ratings are very low. They rate as 1-star on sites such as TrustPilot.
- Despite poor customer service and poor user experience, they continue to be a leader because vendors choose to use them.

Market Advantage

PayPal is a household name. It's been around for over twenty years and major retailers use them as a payment option in their online stores.

For users, accounts are free to have and paying for good/services online is straightforward. Payments for shopping within Switzerland are free, as are payments to/from friends and family.

Bottom Line

- They have the history and brand name recognition.
- Even with poor reviews, people continue to use them because they are the market leader and it's one of the only cashless options available in Switzerland.
- Excluding credit cards, they are the only solution that allows for foreign payments and currency conversions.

Marketing Profile

They continue to grow and offer new products and ways to pay. Somewhat recently they began offering "PayPal.me" a service in which users can create their own personal payment link. This link can then be shared with others via email, SMS, on a webpage, etc. Additionally, they are expanding their mobile app functionality to include payment "friends", making splitting a bill (for example) easier and quicker.

In the United States, they are beginning to offer point of sale (POS) functionality through their mobile app. Users will simply scan a QR code at a store's checkout to pay. One could expect this functionality to roll out in Switzerland in the future as well.

Bottom Line

- They have the name recognition already, so their focus seems to be offering new features in order to entice new users to their platform.

SWOT Analysis for PayPal

Strengths	Opportunities
<ul style="list-style-type: none"> • market leader, widely available • name recognition • free accounts • free payments in Switzerland 	<ul style="list-style-type: none"> • improve their customer service image • introduce their POS functionality in Switzerland • develop website in Italian (an official language of Switzerland) and English
Weaknesses	Threats
<ul style="list-style-type: none"> • poor reviews • users complain of frozen accounts • some users don't trust PayPal • Only offer website in French and German, not in Italian, or English 	<ul style="list-style-type: none"> • TWINT is quickly eating into their market share • once Google Pay and Apple Pay become more prevalent in Switzerland, PayPal will have even more competition

Competitor Profile: TWINT



Overview

TWINT is quickly growing as one of the dominant online and POS payment options. Founded in 2014 by PostFinance, it was the first Swiss cashless app. In 2016 it merged with Paymit to become more similar to the app on the market today. TWINT is only a native mobile app that is directly linked to a user's Swiss bank account. There is a different TWINT app for each bank.

<https://www.twint.ch/en/>

Key Objectives

"TWINT - One app for everything". TWINT is striving to be users' sole payment option. One can use TWINT in a retail POS situation (e.g. grocery store), send/receive money to/from other TWINT users, to shop online, and even from small vendors with no sales terminal (e.g. farm stalls, street vendors, etc.)

Bottom Line

- Simple, quick payments that are debited directly from your bank account or bank credit/debit card.
- "Hygienic", contactless payments in large stores, amongst friends, small vendors.
- One app for all your purchases.
- Faster online payments; users don't have to enter in credit card details.

Overall Strategy

Though cashless payments have been relatively slow to catch on in Switzerland compared to other countries, Swiss banks realized the need/desire for such payments. Therefore, TWINT was initially developed as a proprietary bank product and is currently supported directly by the major banks in Switzerland. Essentially, it is the Swiss banks' competitor to other cashless payment solutions.

Bottom Line

- Developed and supported by many of the major Swiss banks. This instills confidence in the Swiss user that their information is secure and transactions are safe.
- The TWINT app is offered directly from each participating bank, therefore 17 different versions of the app are currently available. Each bank supports its own version of the app and its own customers, furthering the idea of security and confidence.
- TWINT is free for the user, both for purchases and for payments between friends.

Market Advantage

With the backing of major banks, the TWINT name and its logo are prevalent all around Switzerland. One sees the logo at cash registers, in advertisements, at outdoor markets, and even parking meters.

Bottom Line

- The logo is seen both online and in the real world.
- It's a Swiss product with data stored in Switzerland, which appeals to Swiss consumers.
- Regardless of the bank that offers it, the app consistently rates 4 stars or higher in the app stores.
- While the app's use is still growing for POS and online payments, it's very widely used for peer to peer payments. TWINT has become a verb: ex. "just TWINT me the money."

Marketing Profile

Again, with the banking industry behind it, TWINT is continually marketed to existing bank customers through banking websites and push notifications. TWINT is seen in traditional advertising markets, such as television, print ads, and sponsorship of major events. TWINT has a relatively strong social media presence with a focus on educating the public on what TWINT is and how to use it.

Bottom Line

- The current focus is getting more users overall and to get those users to purchase with the app. They currently have over 2 million users (Switzerland's population is 8.4 million), but recent reports suggest that users are not using the app in store or online as much as the banks desire (i.e. the banks are not making enough commission).
- The marketing focus is on how quick and easy it is to pay with the app.
- With the current pandemic, they are also focusing on the hygiene of not having to use cash or touch a payment terminal at the store.
- For users whose bank is not (yet) participating with TWINT, TWINT offers a prepaid app option. Users can transfer money from their bank accounts to the app and carry a balance within the app to make payments.

SWOT Analysis for TWINT

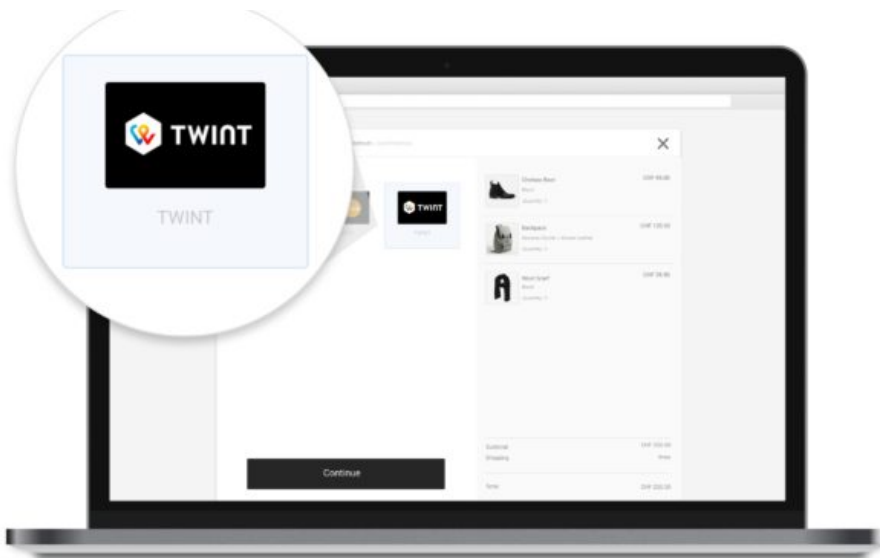
Strengths	Opportunities
<ul style="list-style-type: none"> • Swiss product • backed by Swiss banks • logo/name visible everywhere (online & offline) • very simple to pay friends/family • very simple to pay in-store or other vendor • quicker than credit card to pay online • No cost to users 	<ul style="list-style-type: none"> • offer payments and purchases in currency other than CHF • partner with non-Swiss vendors • educate public on benefits • expand usage for other areas where cash is currently used (i.e. parking meters, vending machines, laundry mats, etc.). Note: TWINT currently offers some of this functionality, but it is very limited depending on what region one lives in within Switzerland
Weaknesses	Threats
<ul style="list-style-type: none"> • only available in Switzerland • only available in Swiss Francs • users do not see advantage to using TWINT in-store vs. contactless credit card • needs wifi or mobile connection to work • user must have mobile phone with compatible OS • during this research, not all banks' TWINT apps were available on test phone. Different OS requirements for each of the different apps • no centralized TWINT support. Support is handled by the bank, meaning service quality will depend on the individual bank, not TWINT • users cannot add other cards or payment methods. Only their bank product(s) are allowed. • If user has multiple accounts with different banks, user would need to use multiple TWINT apps 	<ul style="list-style-type: none"> • Financial watchdog groups are investigating if Swiss banks are purposefully boycotting non-Swiss apps such as Google Pay and Apply Pay in order to keep their market dominance with TWINT • Some vendors have discontinued their relationship with TWINT over excessive fees and commissions. Apparently, the prices (non-disclosed) are more expensive than credit cards, so vendors would rather not bother with TWINT

UX Analysis of TWINT for online shopping

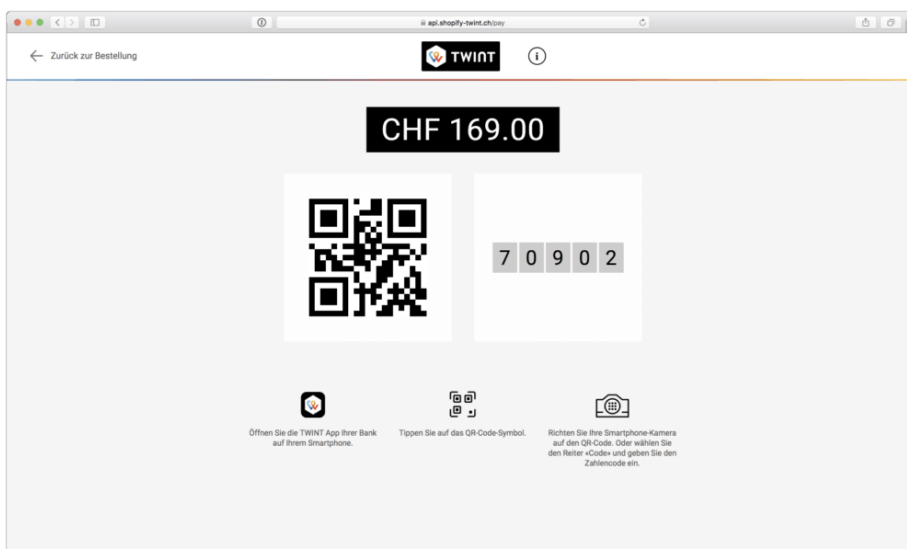


Usability

TWINT's overall user experience for online shopping is quite easy. Once a user is finished shopping and goes to their cart to checkout, at the payment screen they simply select TWINT as a payment option and click continue.



The next screen is simply a TWINT QR code and a 5 digit code. The user opens the TWINT app on their phone (pin or fingerprint lock are options), clicks "Scan", then points the camera at the QR Code. Alternatively, if the user's camera is not working or if by choice, the user can enter the 5 digit code to approve payment.

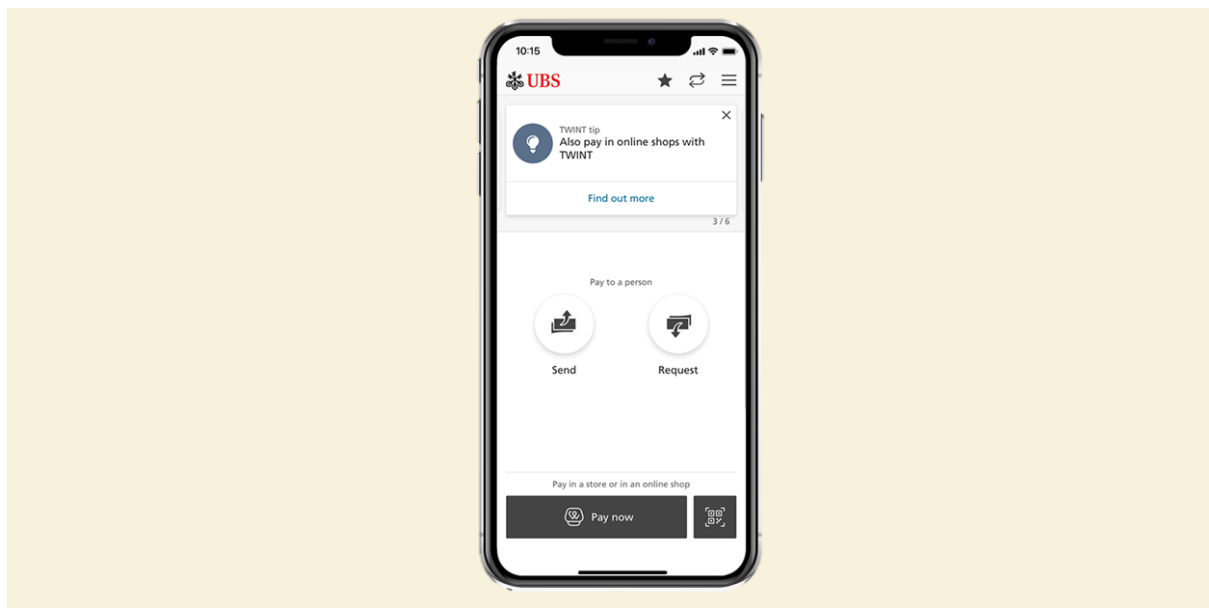


The phone app then displays the vendor and the amount of the purchase and asks the user to swipe to confirm. Once confirmed, the website page reloads with a purchase confirmation and the phone app also states payment successful.

Layout

As the TWINT app is merely a checkout companion to the online store purchase. The layout for the overall user experience rests with the online store itself.

As for the layout of TWINT, it is a simple, uncluttered interface. Typically, there marketing info at the top of the screen to educate the user on ways to use TWINT. Below there are two buttons: "send" and "receive". At the very bottom of the screen are the "pay now" and "scan" buttons.



Navigation Structure*

TWINT's navigation is clear and uncluttered. There is a menu button at the top right which expands to show the following:

- Transactions
- Customer Information
- Offers
- Invite Friends
- Settings
- Logout

*Please keep in mind that TWINT is customized for every partnering bank, so the exact options may vary depending on the user's bank. Also, please note that TWINT blocks screenshot captures within the app, so some functions cannot be displayed in this report.

Compatibility

TWINT is available on Android and iOS, however some banks' TWINT apps were not available on the test phone (Android). Perhaps this is due to which release of the OS one has installed?

For iOS, the user must have an App Store account registered in Switzerland, otherwise none of the TWINT apps will be available.

Additionally, the availability to pay with TWINT online is limited to the vendors who agree to accept it.

Differentiation

TWINT offers a simple, secure way to pay online. It takes less effort to pay with TWINT than with a credit card or with PayPal. As a point of comparison for credit card payments with Swiss vendors, users must enter in all of the card details, click submit, then they are directed to a prompt which tells them to check their phone for a push notification from their banking app. Then users must log into their phone's banking app, approve the purchase, then return to the online store. In short, it's roughly double the effort as using TWINT.

One way to differentiate the Casche app would be to offer multiple currencies and cross border payments. As Switzerland is a small country, with many consumers shopping across the border (both online and in person), having an app that could adapt to their payments would be beneficial.

Additionally, TWINT doesn't seem to offer much incentive to get their users to use TWINT. There are no perks, bonuses, or even social courtesies (ex. saying "Thanks, you just made your 10th purchase with TWINT"). There should be a way to increase an app's usage in the areas that will increase profit, while at the same time having users excited about using the app. Contests, social shares, discounts, investing, carrying a balance on the app, are just some of the possible ways to make it more enjoyable. TWINT's adverts suggest how "fun" it is to use, but they are lacking that jovial spirit when it comes to actually using it.

Calls To Action

As TWINT's interface is clean and simple, the CTAs are also clear. On the home page, the main functions of the app are clear: Send, Receive, Pay now, and Scan. The target pages that follow those CTA's are also simple and clear.