Analysis on the Payment FinTech Business Model of PESONet in the Philippines Using Business Model Canvas Approach

Katherine Villalobos Moron, Ph.D.
Associate Professorial Lecturer 2, RVRCOB, DLSU
Associate Member, Division VIII-Social Sciences, NRCP

DISCLAIMER:
“All views expressed on this paper are my own and do not represent the opinions of any entity whatsoever with which I have been, am now or will be affiliated”.
Background of the study

Philippine Electronic Fund Transfer & Systems Operation Networks

Pursuant to National Retail Payment System (NRPS) by the Bangko Sentral ng Pilipinas (BSP)

Volume of e-payment transactions surged by 10,802%, in 2020

Combined value of InstaPay and PESONet transactions for 2020 likewise jumped by 929%

PESONet transfers alone rose to 15.3 million in 2020 to reflect a 376% growth

The pandemic has forced Filipinos to embrace digital transformation in the Financial industry.
BMC Each Element’s FOCUS—FINTECH CASE

Osterwalder and Pigneur (2010); Nicoletti (2017)

Key Partners
- **FOCUS ON FINANCIAL INSTITUTIONS**

Key Activities
- **FOCUS ON MARKETING**

Value Propositions
- **FOCUS ON VALUE ADDED**

Customer Relationships
- **FOCUS ON CUSTOMER-CENTRIC APPROACH**

Customer Segments
- **FOCUS ON TARGETS**

Key Resources
- **FOCUS ON TECHNOLOGY**

Channels
- **FOCUS ON SOCIAL & OMNICHANNEL**

Cost Structure
- **FOCUS ON RISKS**

Revenue Streams
- **FOCUS ON CUSTOMER LIFETIME VALUE**
### Business Model Canvas of PESONet

#### Key Partners
- BSP
- 42 Universal and Commercial Banks
- 16 Thrift Banks
- 21 Rural Banks
- 3 Electronic Money Issuers (EMI)
- Philippine Payments Management, Inc. (PPMI)

#### Key Activities
- Domestic Transactions
- Batch Transfer
- Flexible Transaction Amount
- Same-day Full Value Transfer

#### Key Resources
- Technology & Innovations
- IT Team
- Research Team
- Marketing & Customer Support Team
- Admin Team

#### Value Propositions
- Improved efficiency (lower costs)
- Flexible transaction amount
- Increased revenue for businesses
- Solution to all payment needs; bulk payments
- No deductions on the payee’s accounts
- Same-day Full Value Transfer
- COVID Virus Mitigation

#### Customer Relationships
- Some banks waived fees until Dec 31, 2021
- Business support
- Most convenient, affordable, reliable, and secured electronic fund transfer service

#### Customer Segments
- Individuals, businesses, and government agencies with HIGH VALUE of transactions
  - Transfer funds from their account to one or multiple recipient accounts in other financial institutions
  - Engage to: (1) supplier payments, (2) payroll, (3) loan and dividend payouts, (4) government payments

#### Channels
- e-channels (internet, mobile);
- Social media sites
- Bank announcements
- News articles; Posters

#### Cost Structure
- 24/7 availability
- System downtime
- Platform enhancements
- Security upgrade
- Incorrect data
- Service fees and transaction costs

#### Revenue Streams
- Clearing fees, return item fees and penalties (PESONet Steering Committee)
- Demand Deposit Account (DDA)

#### Key Activities
- Domestic Transactions
- Batch Transfer
- Flexible Transaction Amount
- Same-day Full Value Transfer

#### Customer Relationships
- Some banks waived fees until Dec 31, 2021
- Business support
- Most convenient, affordable, reliable, and secured electronic fund transfer service

#### Customer Segments
- Individuals, businesses, and government agencies with HIGH VALUE of transactions
  - Transfer funds from their account to one or multiple recipient accounts in other financial institutions
  - Engage to: (1) supplier payments, (2) payroll, (3) loan and dividend payouts, (4) government payments

#### Channels
- e-channels (internet, mobile);
- Social media sites
- Bank announcements
- News articles; Posters

#### Cost Structure
- 24/7 availability
- System downtime
- Platform enhancements
- Security upgrade
- Incorrect data
- Service fees and transaction costs

#### Revenue Streams
- Clearing fees, return item fees and penalties (PESONet Steering Committee)
- Demand Deposit Account (DDA)
Conclusion

Key Partners

Key Activities

Value Propositions

Key Resources

Cost Structure

PESONet focuses on
# PESONet ACH Participants (as of 30 April 2021)

<table>
<thead>
<tr>
<th>Universal and Commercial Banks (U/KBs)</th>
<th>Thrift Banks (TBs)</th>
<th>Rural Banks (RBs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Al-Amanah Islamic Investment Bank of the Philippines</td>
<td>1. AllBank, Inc.</td>
<td>1. Bangko Mabuhay, Inc.</td>
</tr>
</tbody>
</table>

## Electronic Money Issuers (EMI) - Others

1. DCPay Philippines, Inc.
2. G-Xchange, Inc. (GXI)
3. PayMaya Philippines, Inc.

### PESONET Participants (As of 30 April 2021)

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>U/KBs</th>
<th>TBs</th>
<th>RBs</th>
<th>EMI - Others</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>82</td>
<td>42</td>
<td>16</td>
<td>21</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Philippine Clearing House Corporation
The theoretical implications of utilizing the BMC model in the Philippines context is also deemed suitable. Based on this study, the framework could provide more insights into the rapid development of the digital banking and FinTech ecosystem by carefully capturing each key part of the model.

**BMC Each Element’s FOCUS–FINTECH CASE**

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOCUS ON FINANCIAL</td>
<td>FOCUS ON MARKETING</td>
<td>FOCUS ON VALUE ADDED</td>
<td>FOCUS ON CUSTOMER-CENTRIC APPROACH</td>
<td>FOCUS ON TARGETS</td>
</tr>
<tr>
<td>INSTITUTIONS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOCUS ON TECHNOLOGY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOCUS ON RISKS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Streams</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Osterwalder and Pigneur (2010)
Nicoletti (2017)
Managerial Implications

Through BMC Model:

- Quick assessment of current firm’s status
- Improvement of the Key parts
- Provision of starting point to see the overall picture of the key areas
- Detailed planning for each key component
- Key areas as categories for Assessment & Evaluation of the firms seeking for FinTech/Digital related licenses
- Strengthen Key Partners’ Section

FinTech Managers

- Strengthen its partnerships with more financial merchants
Limitations/Recommendations

- Utilized original BMC
- Investigated only PESONet
- Employed Qualitative Method

Recommendations:
- Explore Sustainable Business Model Canvas
- Investigate also GCash, Coins.Ph and other FinTech related companies
- Consider mixed method/quantitative method
Thank you