



# THE RISE OF PAY-AS-YOU-GO SMARTPHONE FINANCE: A CONVERSATION WITH PAYJOY

Photo: PayJoy

The webinar will begin at 9 a.m.

January 15, 2020



# Speakers



**Tom Jahnes**

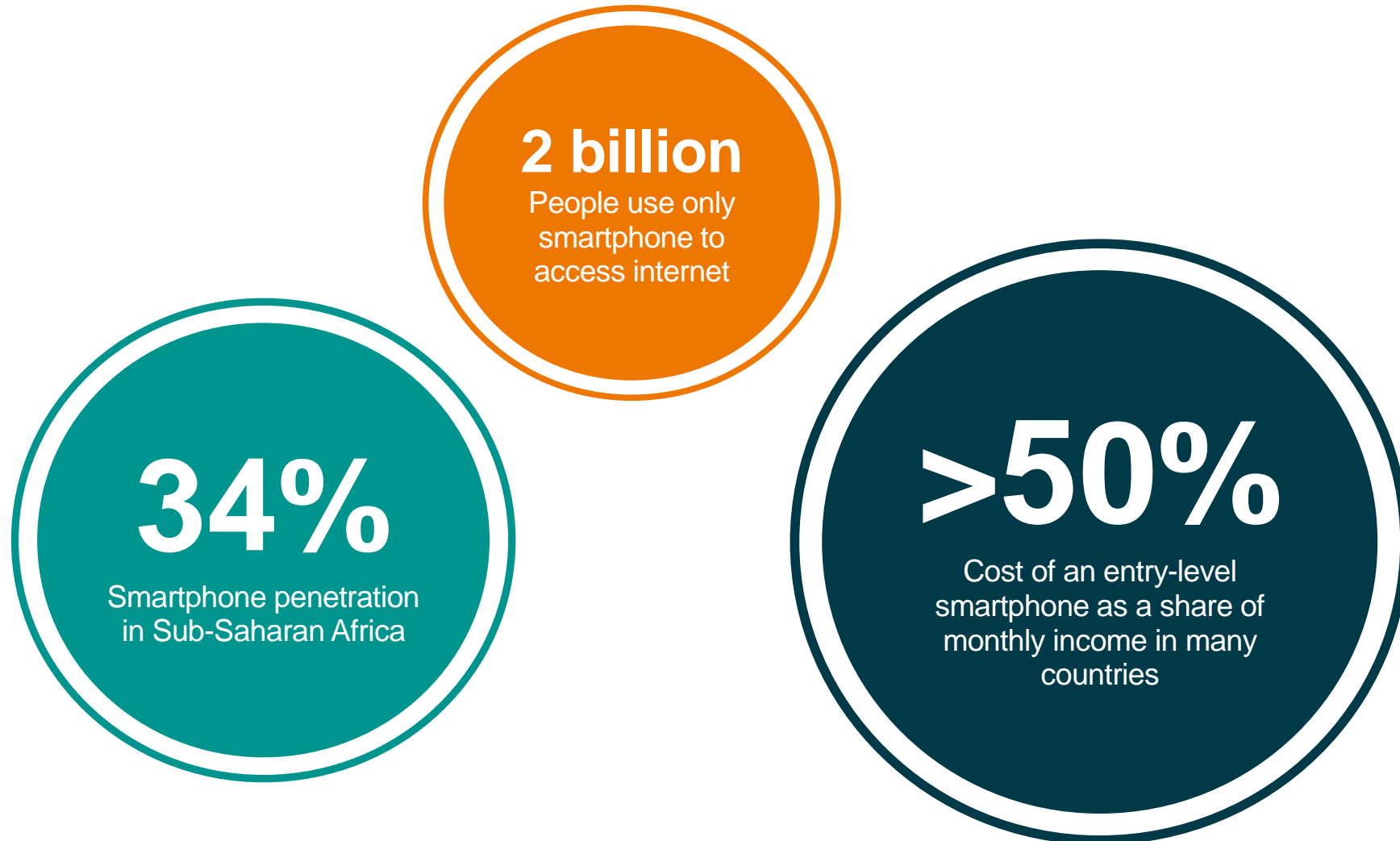
Business Development  
Director  
PayJoy



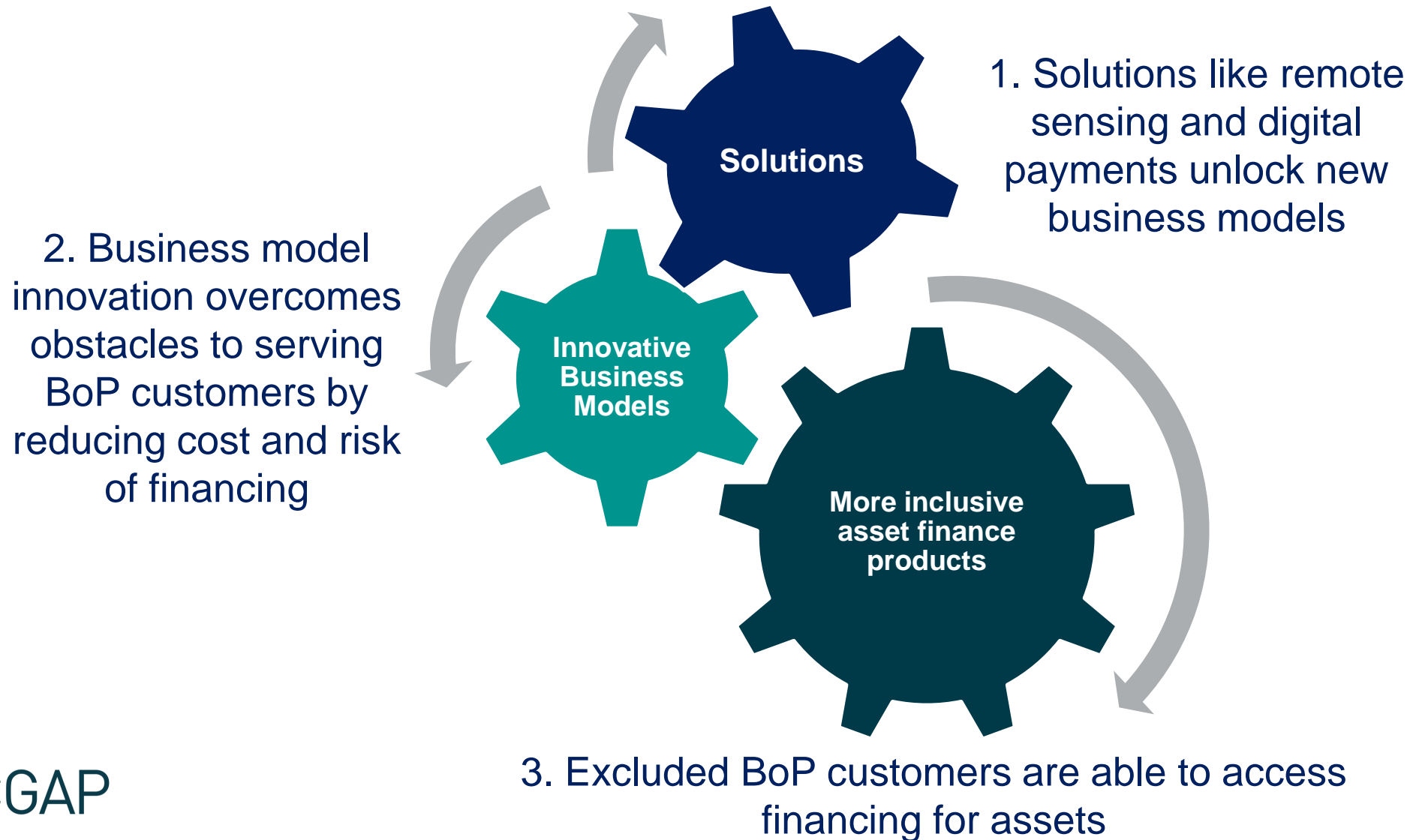
**Max Mattern**

Financial  
Sector Specialist  
CGAP

# Smartphone ownership can narrow the digital divide



# Innovation is unlocking asset financing for the poor



# A new, inclusive approach to financing smartphones

- Same pay-as-you-go approach used to finance solar home systems is being applied to low-value movable assets like smartphones
- Technology allows low-income customers to qualify for financing with flexible repayments, while also helping lenders to manage risk





CONSUMER FINANCE FOR THE NEXT BILLION

*CGAP Webinar Jan 15, 2020*

# AGENDA

- PayJoy Vision and Value & Infographic
- PayJoy Lock
- Case Studies
- Working with PayJoy



**VISION & VALUE**

# VISION

## PROBLEM:

Lending to the underbanked is difficult and risky due to the absence of collateral.

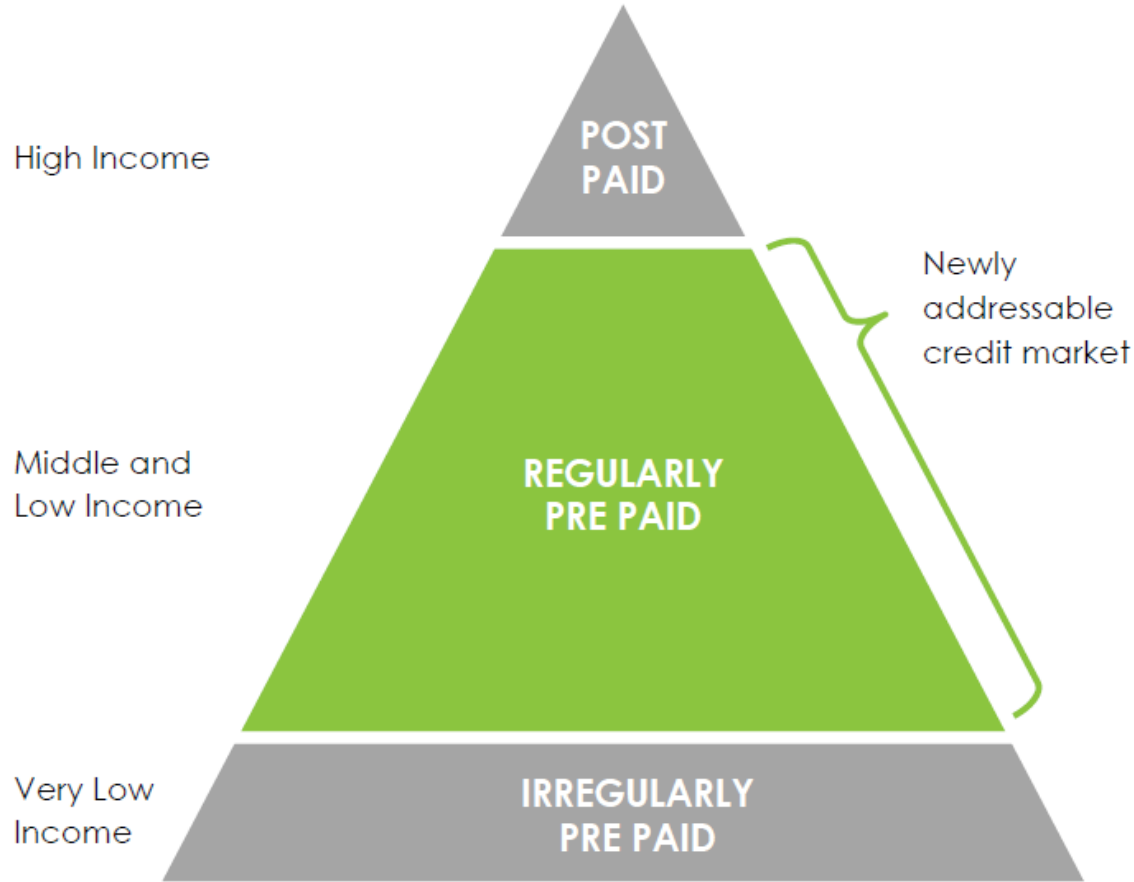
## SOLUTION:

PayJoy's locking technology turns smartphones into collateral.



# VALUE

GROW YOUR ADDRESSABLE MARKET  
WITH COLLATERAL



To enable credit within prepaid, you need ability to pay and willingness to pay. Both can be enabled by a smartphone.

Locking smartphones creates collateral, increases willingness to pay, and **reduces** the potential for **churn**.

Reducing churn while simultaneously increasing ARPU, puts Maxis in position to **grow** their **market share**.

# Turning Smartphones into Smart Collateral

Lock. Score. **Sell More.**



**-3.2%**  
Gartner predicts the smartphone market in 2019 would shrink by the largest margin in history.

PayJoy flips growth trajectory by enabling OEMs to sell smartphones on credit to the underbanked.

Penetrate seemingly **UNACCESSIBLE** consumer segments with the PayJoy Lock API

Yet, only 24% with lower incomes in emerging economies own a smartphone.

**3x** more predictive  
(compared to legacy credit approval methods)

**50%** fewer payment defaults

Average handset selling price up **33% to \$200**  
compared to typical ASP of \$150

PayJoy Lock technology right on the device makes smartphones accessible to customers unable to purchase one with cash-in-full.

In Mexico, where PayJoy runs its own smartphone financing service, customer satisfaction runs at world class levels.

**PayJoy gathered a Net Promoter Score of 80**  
(based on 396 responses).

Comparison

Telcel  
37

Financial services companies  
40

PayJoy  
80

**GRATITUDE**  
= Exceptional NPS score

End users are embracing this first-of-a-kind **friendly, fair and flexible** payment plan approach that puts the smartphone they need and want in their hands.

Alleviates potential MNO or OEM concerns about Lock technology.

Distributors can easily train their salespeople and benefit from **increased volume + upsell**.

What happens if a customer misses a payment?

**98%** come back to make next payment

**1 facebook account + 5 minutes**

1 new smartphone on credit for 1 prepaid user

PayJoy customers experience **92% - 250% increase\*** in sales, ROI of 145%, 2x profit margin in Year 1  
(\*market dependent)

**8%** in six months

OEMs report 8% increase in smartphone share within 6 mo.

This is a **'pay as you go'** hardware model.

There is every incentive to resume repayments.

Delinquent customer is not penalized with late fees

Delinquent customer is penalized with disabled smartphone

Distributors see new smartphones making up **80%** of sales, compared to **20%** without PayJoy.

**50%** Reduction in Defaults

Global OEM smartphone compatibility

ALCATEL

TRANSNION<sup>®</sup>  
HOLDING

Hisense

SAMSUNG

LG

ZTE

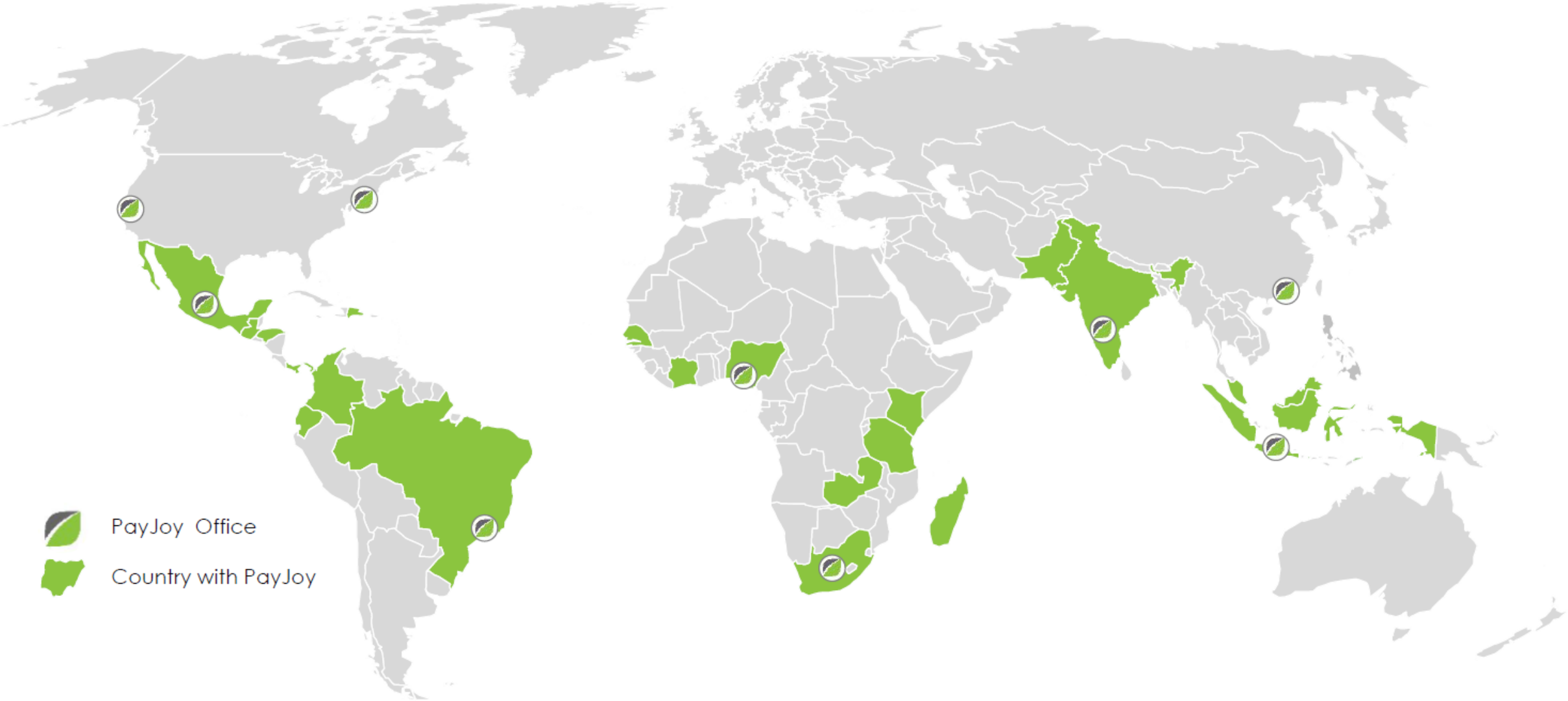
HUAWEI



Turning smartphones into smart collateral.

Finance unlocked



# GLOBAL REACH

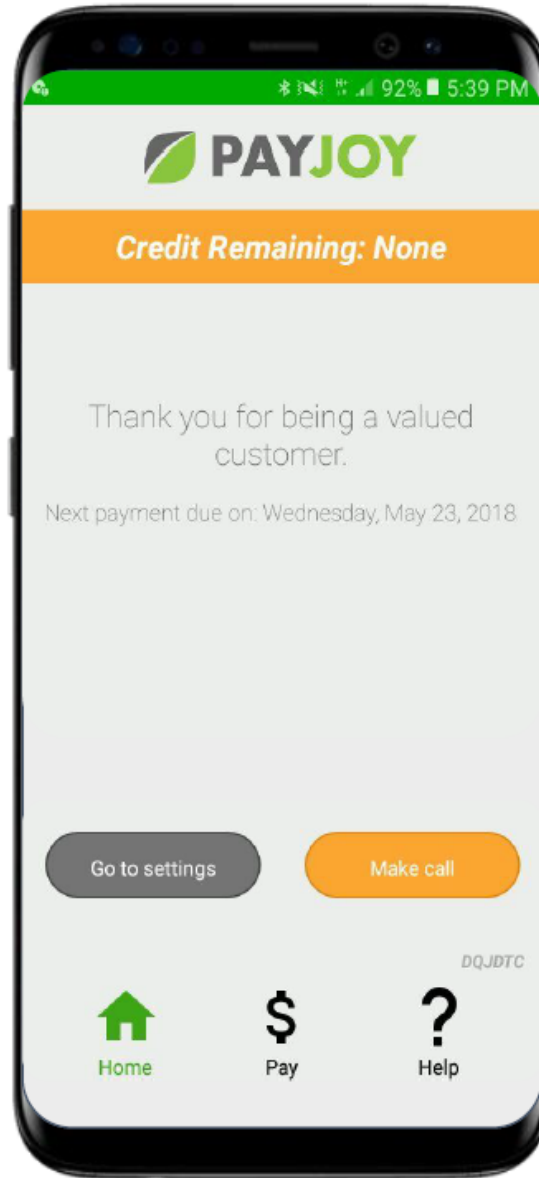


-  PayJoy Office
-  Country with PayJoy

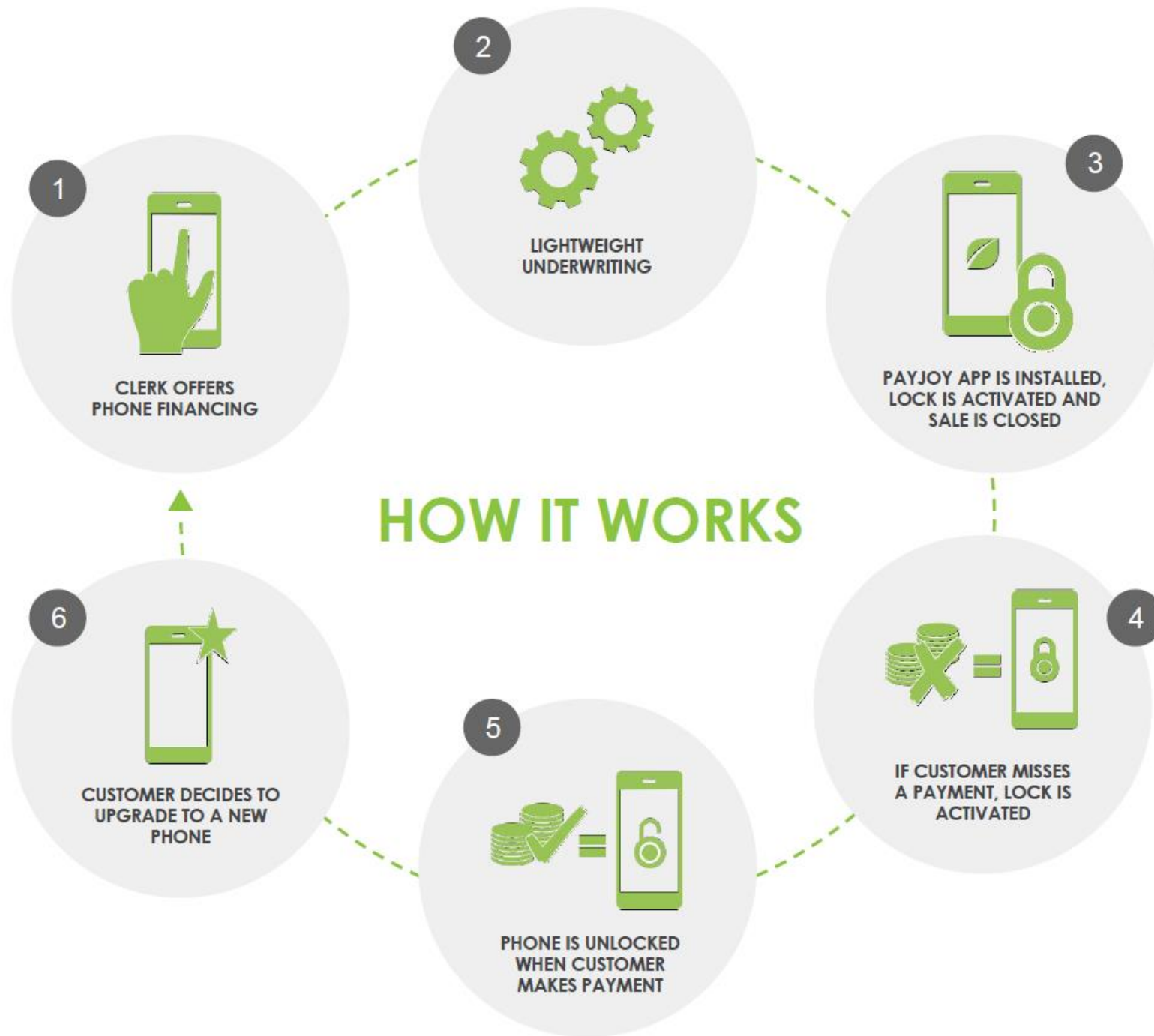


# LOCK

**BLOCKS ALL APPS WHEN  
CONSUMER MISSES A PAYMENT**



- Shows terms to the customer in a simple and co-branded experience
- Can be linked back to lender application
- Survives or blocks typical mechanisms to remove app (factory reset, reflash, app uninstall, etc)
- Bricks device if there's unauthorized tampering
- Updated remotely and continually as we find new exploits
- Patented and trademarked
- Underpinned by OEM agreements



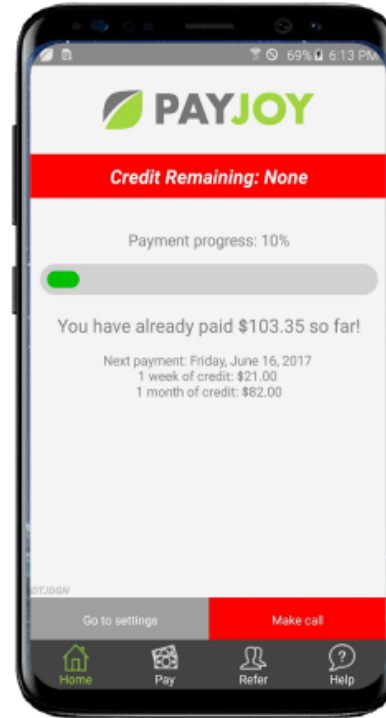
# CONSUMER EXPERIENCE

## PAYJOY APP ON THE PHONE



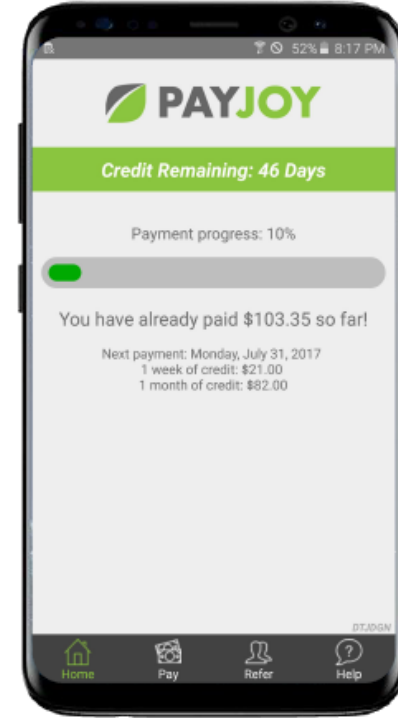
PayJoy displays on the phone as any other application but cannot be removed. If all payments are made on-time, the consumer may never interact with the PayJoy app.

## PAYMENT OVERDUE



When a consumer is past due, all apps on the phone are blocked and any action is redirected to the PayJoy app. Only emergency and support calls to PayJoy are allowed.

## ACCOUNT CURRENT



When a customer is current, the PayJoy app allows full use of the phone. The app can be used to access account details and make payments.



**CASE STUDIES**

# LARGE SMARTPHONE DISTRIBUTOR IN MEXICO

GREW SALES AND ACCESSED NEW CONSUMERS

## COMPANY PROFILE

130 Retail Stores

Most Customers are Prepaid + Unbanked

## INITIAL CHALLENGES

Desire to increase market share

Low profit margins

No underwriting function



**100%**

YEAR OVER YEAR INCREASE  
IN SAME STORE  
SMARTPHONE SALES

**33%**

INCREASE  
IN AVERAGE SELLING PRICE

*We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.*

# LARGE LATIN AMERICAN CARRIER

CUT DEFAULTS IN HALF

## COMPANY PROFILE

Largest carrier in Mexico, nearly 60% market share

62M prepaid customers

## INITIAL CHALLENGES

Mitigate risk within prepaid financing product



7%

DEFAULT RATE  
DECREASED FROM 13%

80%

REPAYMENT RATE  
ONCE DELINQUENT  
INCREASED FROM 45%

Default Rate = Proportion of consumers failing to make a payment by a certain date.

*We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.*

# PANAMANIAN FINANCE COMPANY

GREW THE TOP LINE AND CUT DEFAULTS IN HALF

## COMPANY PROFILE

Online cash lender

Interested in launching device financing

Use their own balance sheet

## INITIAL CHALLENGES

Underwriting specialized in cash loans, not smartphones

No Physical distribution channel



90%

APPROVAL RATE  
INCREASED FROM 60%

4.8%

DEFAULT RATE  
REDUCED FROM 9%

*We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.*

# PAN-AFRICAN PAY AS YOU GO SOLAR PROVIDER

## GREW TOP LINE REVENUE

### COMPANY PROFILE

Deployed across multiple markets for 10+ years

Impacting 10 million users

Distributed field sales in multiple markets

### INITIAL CHALLENGES

Desire to cross sell pay-as-you-go smartphones to existing consumers

Wish to integrate multiple payment mechanisms

Wish to scale quickly with multiple OEMs at multiple price points

**98%**  
REPAYMENT RATE  
FOR SMARTPHONES  
UP FROM 90% FOR THE SOLAR

**70%**  
INCREASE IN REVENUE  
PER CUSTOMER

*We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.*

# MFI & DISTRIBUTOR IN ZAMBIA

GREW SALES AND ACCESSED NEW CONSUMERS

## COMPANY PROFILE

20 retail stores

Most consumers are prepaid + unbanked

## INITIAL CHALLENGES

Desire to increase market share

Low profit margins

No underwriting function

Low applicant approvals



**250%**

INCREASE IN SAME STORE  
SMARTPHONE SALES

**90%**

APPROVAL RATE  
INCREASED FROM 33%

*We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.*

# MFI & MNO IN WEST AFRICA

GREW TOP LINE REVENUE

**300%**

INCREASE IN SAME  
STORE SMARTPHONES SALES

**250%**

INCREASE IN AVERAGE REVENUE  
PER USER (ARPU)

## COMPANY PROFILE

10 retail stores

Most consumers are prepaid & unbanked

## INITIAL CHALLENGES

Need data revenue growth supported by an increase in active data subscribers as well as more smartphones on their network

No underwriting function

*We recommend that prospective clients speak with our existing clients once we have a Mutual Engagement Plan in place.*



# PayJoy Lender Growth Program

# ENGAGEMENT MODEL & NEXT STEPS



*\* It is highly recommended that we establish standing weekly tactical check-ins and monthly strategic check-ins to manage this project.*

# PAYJOY LOCK PRICING

	30 DAY FREE TRIAL	BUNDLE 1	BUNDLE 2	BUNDLE 3
PRICE	FREE	\$1,000	\$7,000	\$45,000
NUMBER OF LOANS	UNLIMITED	100	1,000	10,000
PRICE PER LOAN	\$0	\$10	\$7	\$4.50

*Fees are payable up front. Prices are subject to change and exclude taxes and fees.*



# INVESTORS



## Globally, 1.7 billion adults lack an account

Adults without an account, 2017

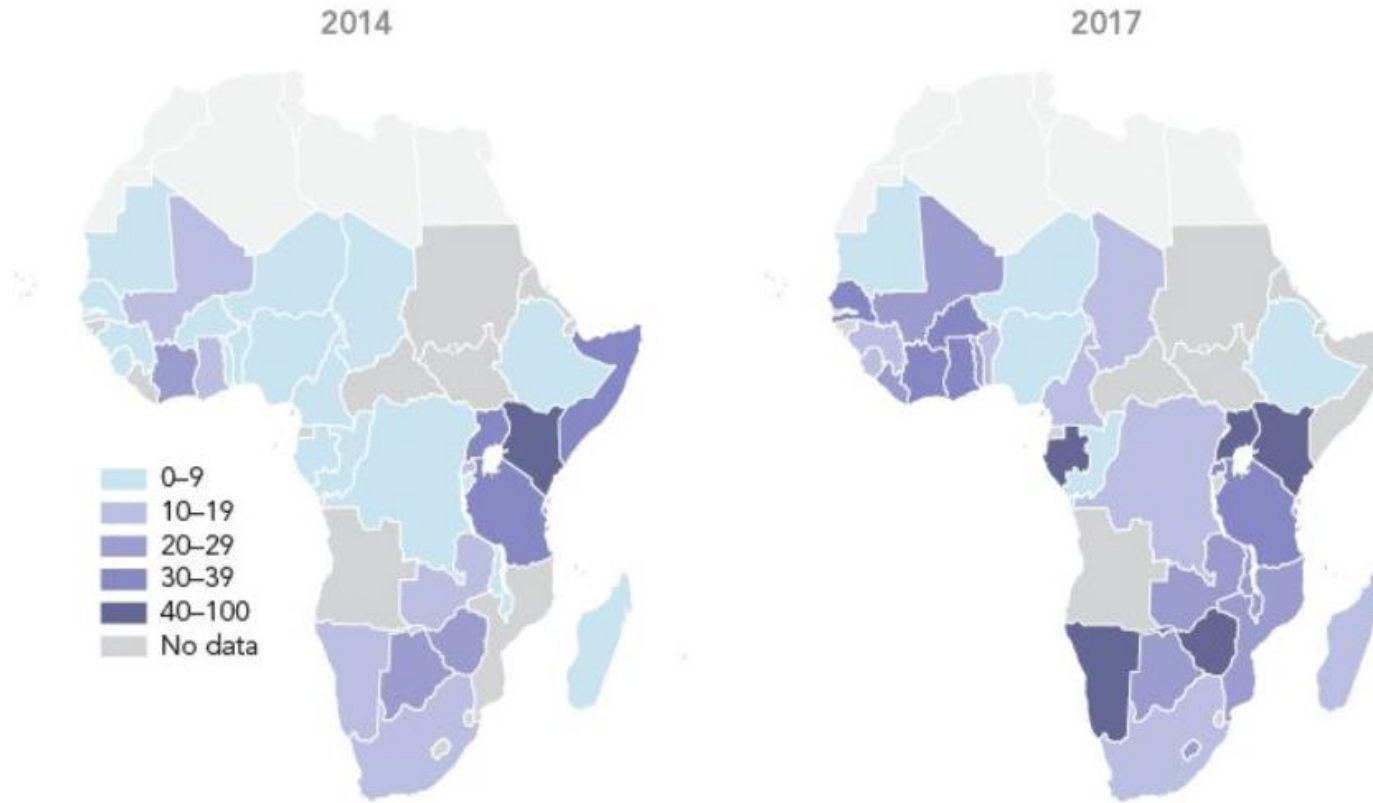


Source: Global Findex database.

Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

## Mobile money accounts have spread more widely in Sub-Saharan Africa since 2014

Adults with a mobile money account (%)



Source: Global Findex database.

Note: Data are displayed only for economies in Sub-Saharan Africa.

## Two-thirds of unbanked adults have a mobile phone

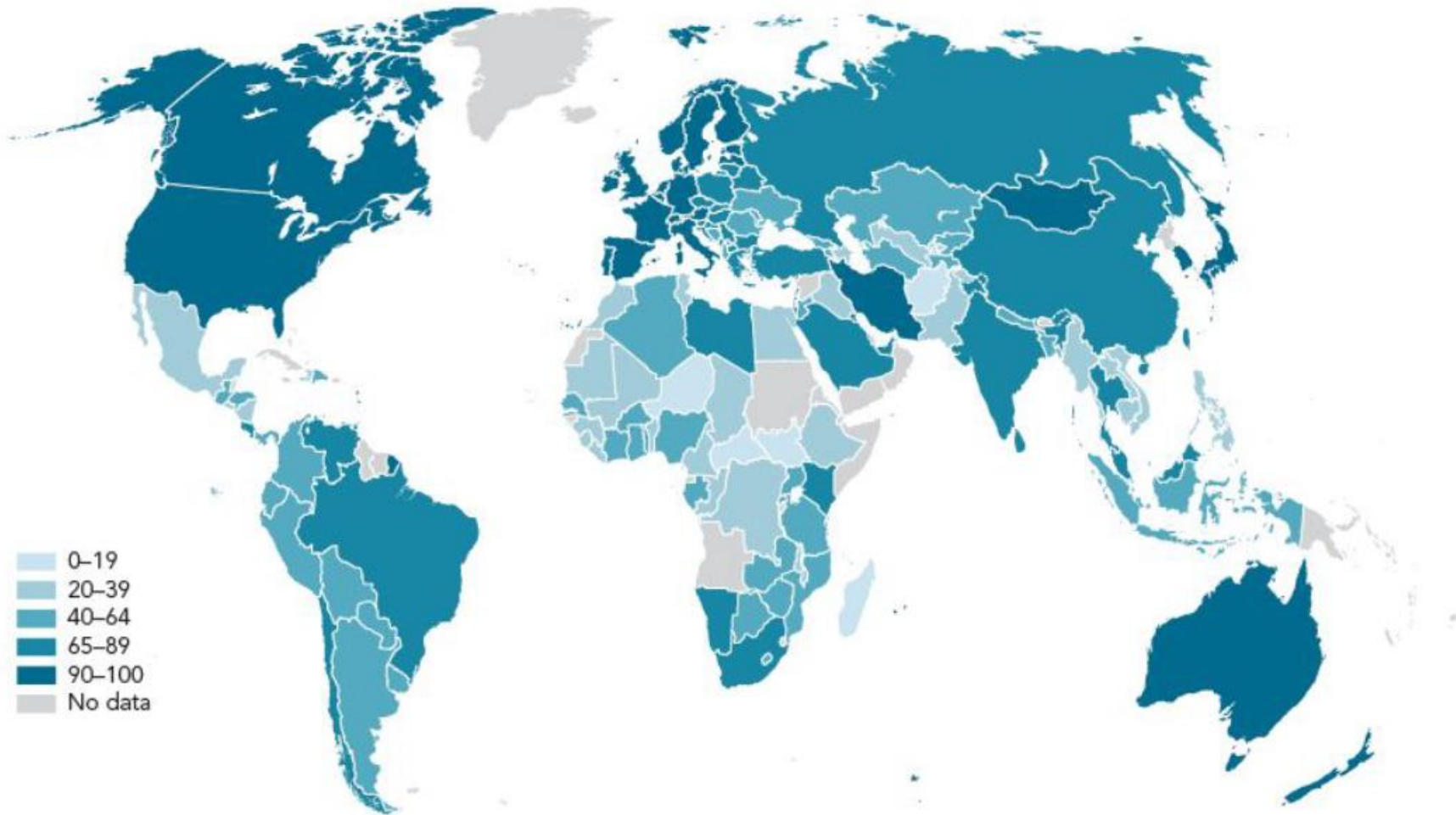
Adults without an account owning a mobile phone, 2017



Sources: Global Findex database; Gallup World Poll 2017.

Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

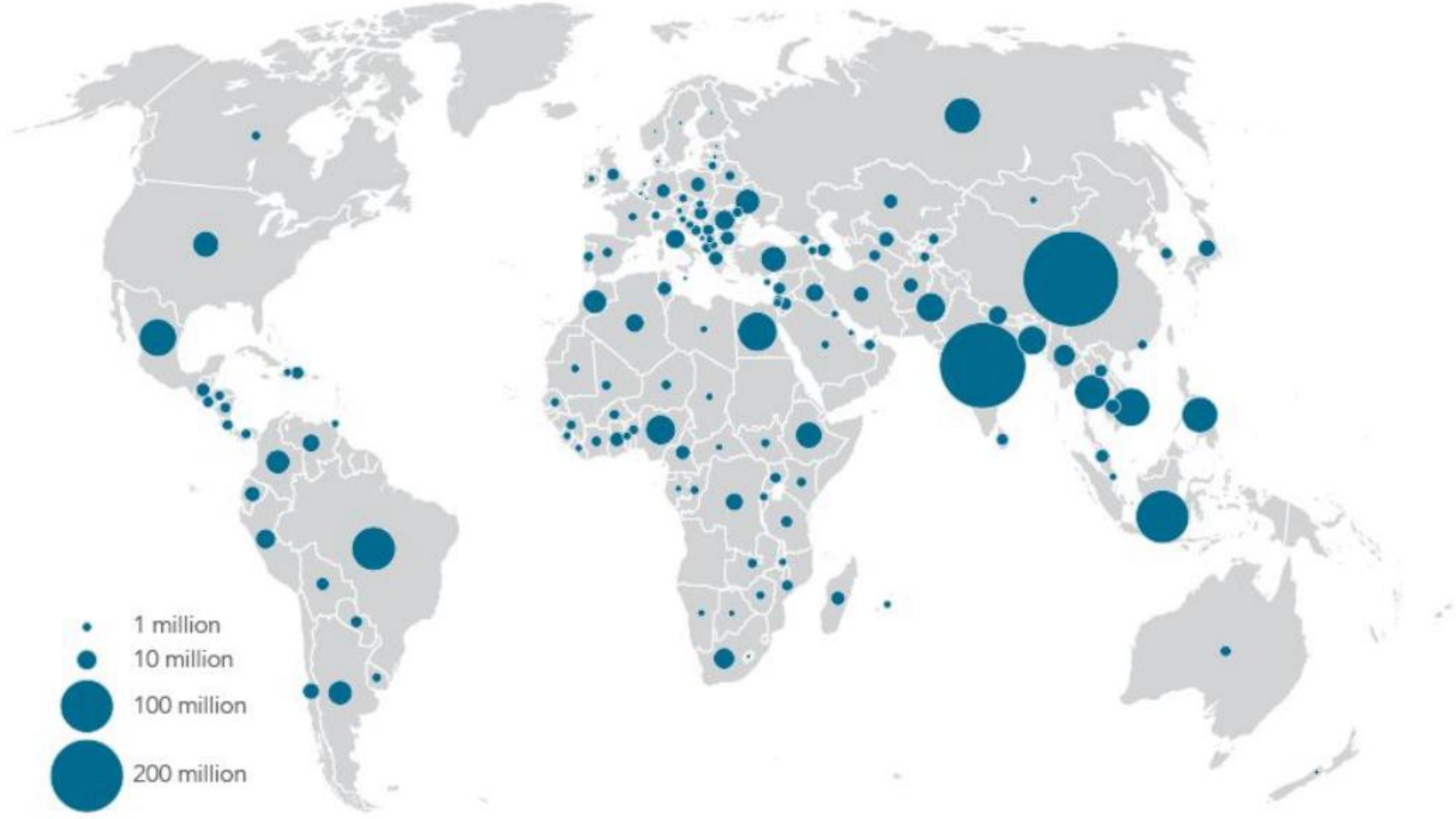
**Today, 69 percent of adults around the world have an account**  
Adults with an account (%), 2017



Source: Global Findex database.

# A billion adults who have an account still pay utility bills in cash

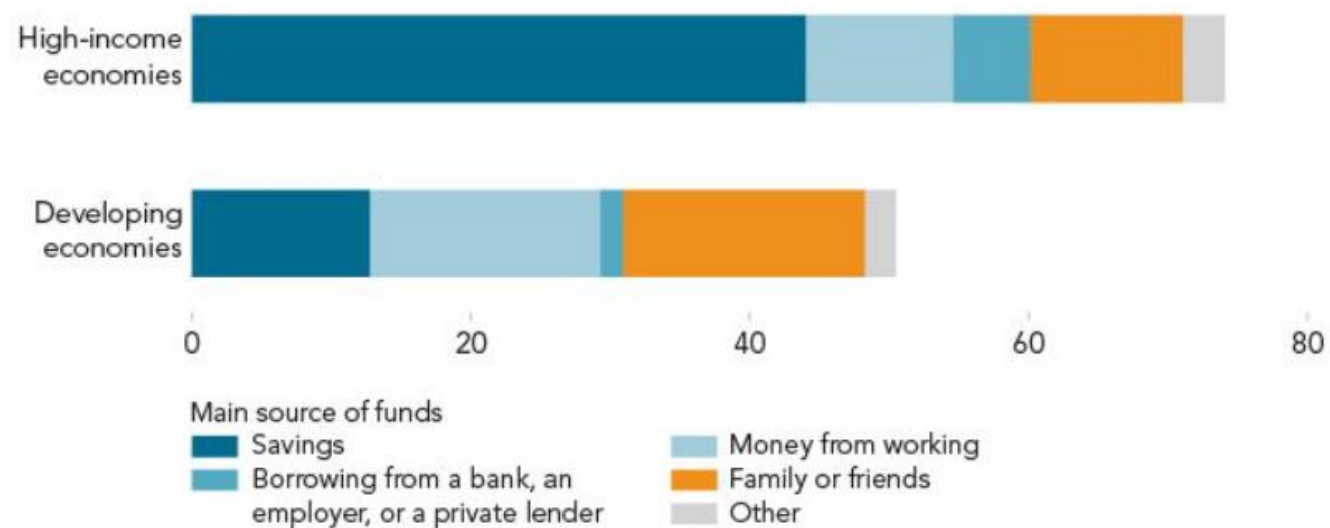
Adults with an account paying utility bills in the past year in cash only, 2017



Source: Global Findex database.

## People in high-income economies are more likely to be able to raise emergency funds—and to do so through savings

Adults able to raise emergency funds (%), 2017

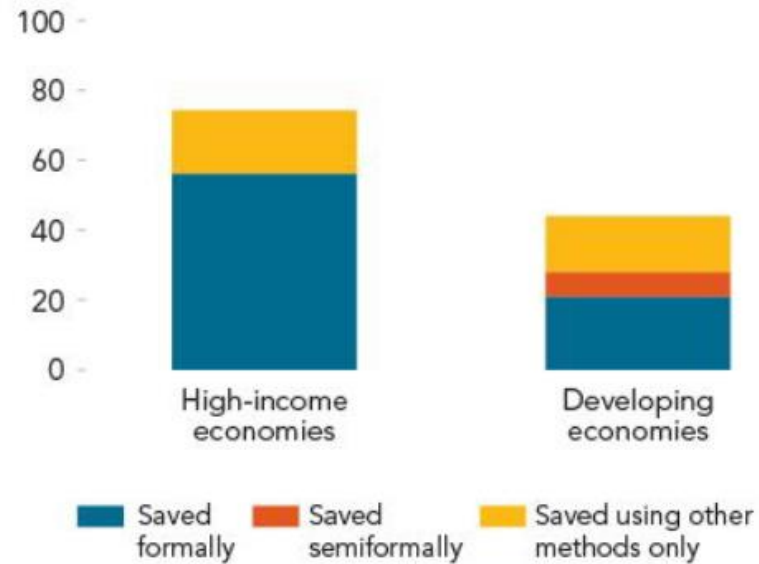


Source: Global Findex database.

Note: Other includes all respondents who chose "selling assets," "other sources," "don't know," or "refuse" as their response for main source of emergency funds.

## Globally, more than half of adults who save choose to do so at a financial institution

Adults saving any money in the past year (%), 2017

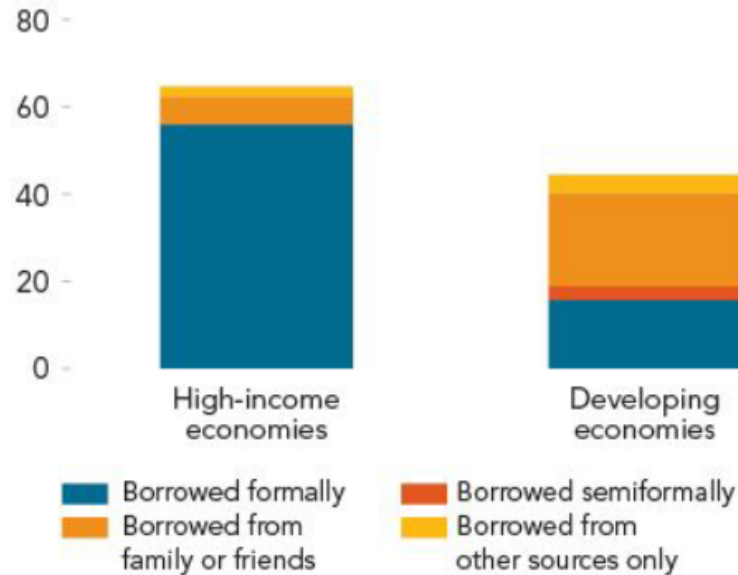


Source: Global Findex database.

Note: People may save in multiple ways, but categories are constructed to be mutually exclusive. *Saved formally* includes all adults who saved any money formally. *Saved semiformally* includes all adults who saved any money semiformally but not formally. Data on semiformal saving are not collected in most high-income economies.

## Borrowers are more likely to rely on formal credit in high-income economies than in developing ones

Adults borrowing any money in the past year (%), 2017

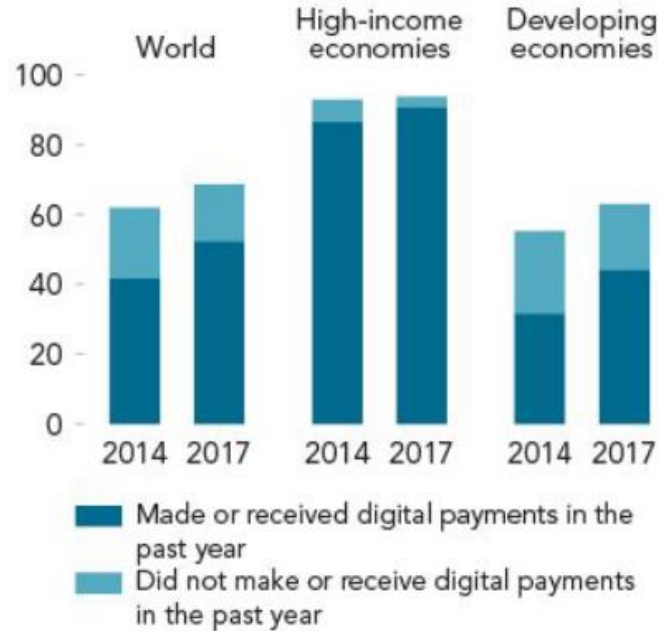


Source: Global Findex database.

Note: People may borrow from multiple sources, but categories are constructed to be mutually exclusive. *Borrowed formally* includes all adults who borrowed any money from a financial institution or through the use of a credit card. *Borrowed semiformally* includes all adults who borrowed any money semiformally (from a savings club) but not formally. *Borrowed from family or friends* excludes adults who borrowed formally or semiformally.

# More people who have an account are using it for digital payments

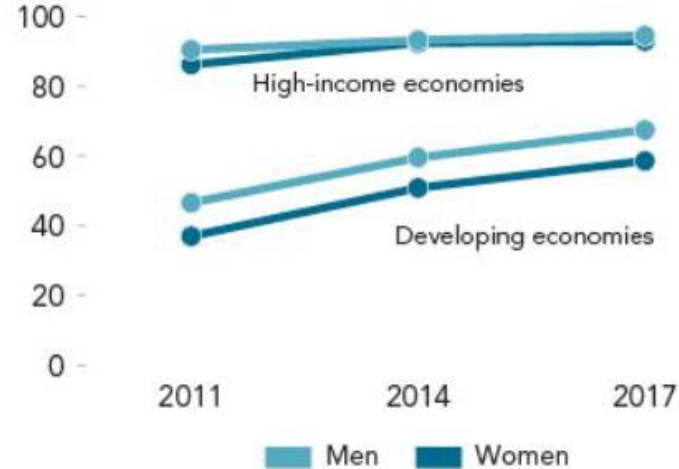
Adults with an account (%)



Source: Global Findex database.

### The gender gap in account ownership persists in developing economies

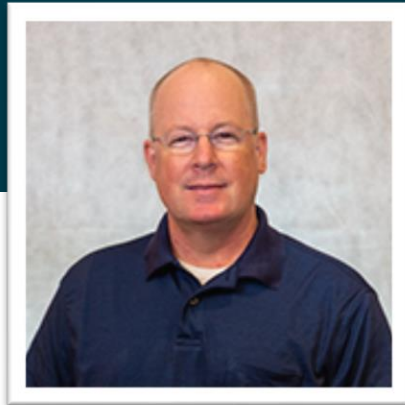
Adults with an account (%)



Source: Global Findex database.

# Q&A

*Please share your comments and questions in the chat box. Remember to send them to “All Participants” so everyone can read them. Thank you!*



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# Thank you

To learn more, please visit  
[www.cgap.org](http://www.cgap.org)

