AI-based merchant acquisition platform

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Scaling merchant onboarding across India

India's digital payment ecosystem has witnessed substantial growth, marked by the rapid expansion of payment acceptance infrastructure, such as QR codes (BharatQR, UPI QR), increased physical PoS terminals, and the adoption of contemporary payment devices. While most merchant onboarding efforts have traditionally been concentrated in Tier 1 and Tier 2 cities, recent trends indicate a surge in e-commerce penetration and premiumisation of products in smaller towns. This shift has led payment companies to redirect their focus towards Tier 3 to Tier 6 markets, which together account for nearly 70% of the country's population.

However, onboarding merchants in these smaller towns pose significant challenges. Merchant onboarding is inherently a cost-intensive process involving expenses related to device deployment, servicing, and after-sales support. Additionally, identifying merchants with high potential for sustained activity becomes increasingly complex in sparsely populated areas, where the concentration of viable businesses is lower. This necessitates a more strategic, cost-effective, and scalable approach to merchant acquisition and retention in Tier 3-6 regions to ensure the long-term viability and inclusivity of India's digital payment ecosystem.

How Grant Thornton Bharat can help

We possess extensive experience across the entire merchant onboarding and servicing journey. Our collaboration with leading banks and non-bank acquirers has enabled us to design and implement strategies to enhance merchant stickiness and optimise the onboarding and retention journey.

Through these engagements, we have developed insights into the key drivers influencing merchant activation, engagement, and long-term viability—especially in emerging markets. Leveraging this expertise, we have created a tool designed to identify high-potential areas for onboarding new offline merchants across India. This tool analyses critical supply and demand parameters related to digital payment acceptance, allowing us to pinpoint untapped opportunities and strategically target merchant acquisition efforts.

Combining our sectoral knowledge with AI data-driven methodologies ensures a streamlined, cost-effective, and sustainable approach to expanding digital payment infrastructure in Tier 3-6 markets.

About the tool

Objective: Enhance digital reach in untapped markets, creating value for acquirers, empowering customers, and supporting government objectives for financial inclusion and economic growth.

- The AI-based merchant acquisition tool would help identify the pockets of opportunity for onboarding new offline merchants across India by understanding the supply and demand parameters pertaining to digital payment acceptance, identifying pockets of opportunity, and bridging that gap. The unit for identifying such pockets can be state-wise or at the district/village level. This would help prepare a quarterly/annual exercise for merchant acquiring institutions (Bank and non-bank acquirers) to identify focus geographies and plan for target merchant onboarding numbers and FSE (field service executives) requirements.

- This would be extended by providing an API to the clients, wherein their FSEs can engage with the tool to receive real-time information. This AI data-driven approach enhances the efficiency and effectiveness of field operations by guiding FSEs to areas where merchant onboarding efforts are most likely to yield positive results.

Our approach

Selection of parameters

Building a robust digital penetration analysis framework: The framework has been built based on the following parameters:

- Payment enablers,
- Payment performance,
- Payment universe,
- Participants.

Weightage of parameters and recommendations

Based on Grant Thornton Bharat's research, weightages have assigned to each variable to arrive at a composite score and recommendations will be given to the acquirer about:

- Supply side,
- Demand side,
- Opportunity gap,
- Category of market - immature, mature, etc.,
- Applicability of PIDF,
- Lat-long details of the village or the market with high opportunity,
- Catchment area that can be covered by an FSE in 30 minutes.

In-person market survey for competition assessment and exit strategies

Conducting a detailed market survey to evaluate the actual needs of the market with the following focus areas:

- Number of merchants currently accepting digital payments,
- Types of devices being used,
- Competition penetration analysis (acquirers and market share),
- Need assessment to identify locations with the highest demand for digital payment solutions,
- Satisfaction levels of merchants.

Value to merchant acquiring institution

Our merchant acquisition tool will deliver the following key outputs to enable effective, targeted merchant onboarding:

Catchment area definition for FSEs

The tool will define specific catchment areas for each field sales executive (FSE), with differentiated catchments tailored to various products such as QR codes, soundboxes, and PoS machines.

Tier-wise segmentation

It will provide a detailed bifurcation of catchment areas based on city tiers. It will enable FSEs to focus on merchants in smaller towns (Tier 3-6) and leverage benefits offered under the RBI's and government's schemes.

Identification of high-potential pockets

The tool will be used to identify untapped, high-potential merchant acquisition pockets. Within each catchment, it will pinpoint specific villages or localities where there is a higher probability of successfully onboarding digitally deployable merchants. For example, in village 'A', it may highlight sub-markets like 'Aa' and 'Ab' for focused efforts.

Opportunity scoring

Each identified pocket will be assigned an opportunity score based on various parameters, empowering clients to prioritise areas with the highest potential for merchant acquisition and engagement.

Key deliverables

Dynamic FSE support

- API integration and FSE enablement.
- Development and integration of APIs with the merchant business app to enable FSEs to access real-time opportunity areas based on their latitude-longitude.
- During field visits, FSEs can click to identify high-potential areas nearby, dynamically updated to reflect the latest opportunities.
- Clients can opt for an annual license with a per-click cost model for seamless usage.
- Continuous monitoring of lat-long information to identify nearby target FSEs or target markets based on the composite score criteria.

Annual / quarterly planning

- State-wise and district-wise opportunity planning.
- State-wise and district-wise plans, including detailed targeting at the village level within districts with key metrics such as:
- Providing annual merchant targets
- Planned structure of pocket areas - Tier, district, and village wise: Defining a hierarchical geographic strategy for targeted digital payment penetration.
- Analysis of the number of FSEs required according to the catchment areas: Determining optimal field sales executive deployment based on area-specific and demand.

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