

# A Retention Marketing Framework for Indian Fintech Platforms

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**Abstract**—In India's rapidly growing fintech sector, rising customer acquisition costs (CAC) and increasing competition have made customer retention a strategic priority. This study explores the role of retention marketing in enhancing engagement, reducing CAC, and maximizing customer lifetime value (LTV) for Indian fintech platforms. Using secondary data from consulting reports, industry benchmarks, and regulatory publications, the analysis examines the effectiveness of multi-channel communication (WhatsApp, SMS, push notifications), customer segmentation, and personalized messaging. Findings reveal that retention-focused strategies significantly improve activation rates, reduce churn, and increase repeat usage, while coordinated multi-channel campaigns strengthen engagement. Challenges related to measurement, regulatory compliance, and operational execution are also identified. The study concludes that retention marketing is a critical cost-efficient growth lever, and fintech firms that integrate personalization, segmentation, and multi-channel strategies are better positioned for sustainable profitability and long-term competitive advantage.

**Index Terms**—Retention marketing, acquisition cost (CAC), lifetime value (LTV), fintech, multi-channel communication, personalization, segmentation, Indian digital payments

## I. INTRODUCTION

Customer retention has emerged as a strategic imperative for fintech companies operating in India, where acquisition costs are rising sharply and consumer expectations for highly personalized, mobile-first financial experiences continue to escalate. The Indian fintech market was valued at \$110 billion in 2024 and is projected to reach \$150 billion by 2025, representing one of the fastest-growing financial technology ecosystems globally. In this competitive landscape, acquisition-focused strategies alone are

insufficient for sustainable profitability. Instead, retention-driven approaches that maximize customer lifetime value (LTV) while minimizing customer acquisition costs (CAC) have become critical success factors.

The Reserve Bank of India's Digital Payments Index (RBI-DPI) demonstrates remarkable growth in India's digital payments infrastructure. The RBI-DPI surged to 493.22 in March 2025, up from 465.33 in September 2024 and 445.50 in March 2024. This represents a more than fourfold increase since the index's base year of 2018 (set at 100). Unified Payments Interface (UPI) has been the primary driver, with its share of digital payments rising from 34% in 2019 to 83% in 2024, achieving a remarkable compound annual growth rate (CAGR) of 74% over five years.

In calendar year 2024, digital payment transactions accounted for 99.7% of transaction volumes and 97.5% of transaction values in the Indian payments system. UPI alone accounted for 85% of transaction volumes, demonstrating the dominance of digital payment methods. This explosion in digital payment adoption creates both opportunities and challenges for fintech companies: a vastly larger addressable market, but also intensifying competition and rising customer acquisition costs.

Industry benchmarks reveal significant CAC variations across financial institutions and channels. According to banking industry data, the average customer acquisition cost for digital banks ranges from \$290, compared to \$561 for retail consumer banks and \$167 for credit card providers. However, these averages mask considerable variation by channel. For example, organic search (SEO) averages \$431 CAC, while paid search (PPC) reaches \$590, and social media advertising averages \$505-521 depending on channel.

The challenge is compounded by rising digital advertising costs and increased consumer skepticism around online financial services. Many fintech companies report that first-month renewal rates fall below 40%, with high call volumes and operational inefficiencies significantly impacting customer satisfaction and retention. In this context, retention marketing the practice of re-engaging and deepening relationships with existing customers represents a more cost-effective path to growth than incremental acquisition efforts.

## II. LITERATURE REVIEW

Recent studies have increasingly examined how digital engagement strategies influence customer retention in technology-driven industries, particularly in the fintech sector. With growing competition and low switching costs, fintech firms are under pressure to move beyond customer acquisition and focus on building long-term customer relationships. A recent study by Saurabh et al. (2025) found that integrated digital marketing efforts especially personalized and multi-channel communication significantly improve customer retention and engagement in financial services. The study highlights that consistent, relevant communication across digital touchpoints strengthens customer relationships and enhances loyalty.

Along similar lines, Damrongsak (2024) emphasized the importance of user experience in fintech platforms, noting that simplicity, personalization, and ease of navigation play a critical role in sustaining customer engagement. The study concludes that fintech applications that reduce friction and offer intuitive digital experiences achieve higher retention levels, as customers are more likely to continue using platforms that are convenient and responsive to their needs.

Expanding this perspective, Pereira et al. (2025) conducted a comprehensive review of customer retention in digital environments and identified personalization, data analytics, and technological innovation as key drivers of customer loyalty. Their findings suggest that digital platforms that leverage customer data to deliver tailored experiences are better positioned to retain users in highly competitive markets such as fintech.

These recent findings build upon earlier foundational research in marketing, which established that retaining existing customers is significantly more cost-effective

than acquiring new ones. Reichheld and Sasser (1990) demonstrated that even small improvements in retention rates can lead to substantial increases in profitability. Kotler and Keller (2016) further reinforced that relationship-focused marketing strategies generate higher customer lifetime value compared to acquisition-led approaches.

In the context of fintech adoption, Vives (2017) observed that while digital financial services attract users through convenience and innovation, long-term retention depends on trust, perceived value, and consistent engagement. This observation aligns with Expectancy–Disconfirmation Theory proposed by Oliver (1980), which explains that customer satisfaction and loyalty increase when service performance meets or exceeds expectations. In fintech markets, failure to meet these expectations often results in rapid customer churn due to low barriers to switching.

Personalization and segmentation have emerged as central themes in retention literature. Kumar and Reinartz (2016) found that personalized communication based on customer behavior significantly improves engagement and repeat usage. Supporting this, Wedel and Kamakura (2012) argued that behavioral segmentation enables firms to design more relevant and effective retention strategies. In fintech, segmentation based on transaction behavior, lifecycle stage, and usage frequency allows companies to identify high-value and at-risk customers and intervene proactively.

The role of digital communication channels has also gained attention in recent studies. Verhoef et al. (2015) highlighted that coordinated multi-channel engagement enhances message recall and customer responsiveness. Messaging platforms such as WhatsApp, SMS, and push notifications have become essential tools for fintech retention due to their immediacy and high engagement rates. Industry research suggests that WhatsApp’s conversational format supports trust-building, while SMS remains effective for transactional and time sensitive communication (Route Mobile, 2024).

Despite widespread adoption of retention strategies, several studies highlight persistent challenges in execution and measurement. Fader et al. (2005) noted that many firms rely on surface-level metrics such as open rates and clicks, without linking these indicators to long-term outcomes such as customer lifetime value

or reduced acquisition costs. Kumar et al. (2014) further argued that the absence of standardized measurement frameworks limits the strategic impact of retention marketing initiatives.

Regulatory compliance is another important dimension discussed in fintech retention literature, particularly in the Indian context. Studies indicate that consent-based communication frameworks improve consumer trust, even though they increase operational complexity (Reserve Bank of India, 2025). Trust remains a critical factor influencing retention, especially in financial services where data security and transparency are paramount (Gefen et al., 2003).

In summary, existing literature clearly indicates that customer retention in fintech is driven by personalization, segmentation, multi-channel communication, and trust-based engagement. However, there is limited research that integrates these elements into a unified and practical framework tailored to the Indian fintech ecosystem. This study aims to bridge this gap by synthesizing recent secondary research and proposing a structured approach to retention marketing.

### III. RESEARCH OBJECTIVES

The objectives of this study are as follows:

1. To examine the role of retention marketing in reducing customer acquisition costs (CAC) in the Indian fintech sector.
2. To analyze the effectiveness of multi-channel communication (WhatsApp, SMS, and push notifications) in improving customer engagement and retention.
3. To study the impact of customer segmentation and personalized communication on customer lifetime value (LTV) and repeat usage.
4. To identify key challenges, including measurement gaps and regulatory constraints, affecting the implementation of retention marketing strategies in fintech companies.

### IV. DATA ANALYSIS

The following analysis examines the role and effectiveness of retention marketing strategies in the Indian fintech sector, based on secondary data from consulting reports, industry benchmarks, and regulatory publications. It explores how retention

initiatives influence customer acquisition costs (CAC), engagement, and lifetime value (LTV), and identifies challenges affecting their implementation. Insights from multi-channel communication, personalized messaging, and segmentation strategies are analyzed to understand their impact on customer behavior and long-term value creation.

10. Limitations, Challenges, and Future Research Directions  
Objective 1: To examine the role of retention marketing in reducing customer acquisition costs (CAC) in the Indian fintech sector

Secondary market data from McKinsey & Company's Global Fintech Reports and Bain & Company's Digital Banking Economics studies show that India's fintech ecosystem operates in a highly competitive and rapidly evolving environment, with customer acquisition costs rising across most segments. Industry benchmarks reported by banking and fintech performance studies indicate that digital banks face an average CAC of approximately \$290, with significant variation depending on customer demographics and segment focus. Mass-market users in Tier 2 and Tier 3 cities generally exhibit lower CAC due to lower competition and higher adoption of referral-driven growth strategies, whereas urban and niche segments such as affluent users, students, and SMEs face higher CAC but offer higher long-term value potential.

Further evidence from fintech case studies and consulting reports demonstrates that retention-focused strategies significantly reduce effective CAC. For example, initiatives that prioritize onboarding optimization, timely engagement, and proactive issue resolution can improve early-stage activation rates from around 40% to 60%, which in turn lowers the cost per activated customer by 30–35%. Retention-focused programs, such as loyalty rewards, tailored offers, and lifecycle-based engagement campaigns, also reduce churn and extend the customer's engagement span, improving the overall LTV:CAC ratio. These insights confirm that retention marketing serves not merely as a communication tactic but as a strategic cost-efficiency lever within fintech growth models.

Objective 2: To analyze the effectiveness of multi-channel communication in improving customer engagement and retention

Industry benchmarks from fintech messaging platforms and digital engagement studies consistently highlight that multi-channel communication strategies

outperform single-channel approaches in driving customer engagement and retention. Reports from WhatsApp Business indicate that messages delivered via WhatsApp achieve open rates of up to 98%, far surpassing traditional channels like email (20–25%) and SMS (45–50%). SMS remains highly effective for urgent financial notifications, regulatory updates, or transaction alerts, as highlighted in TRAI guidelines and banking communication protocols, whereas push notifications within apps facilitate real-time, personalized engagement and drive in-app actions. Comparative analyses from fintech marketing performance reports show that the coordinated use of WhatsApp, SMS, and push notifications reduces drop-offs during onboarding and post-activation stages. Companies that integrate these channels strategically, tailoring the timing, frequency, and content of messages, report higher engagement, better retention, and improved conversion rates. Additionally, multi-channel campaigns allow for better tracking and data collection, enabling fintech companies to identify at-risk customers early and proactively re-engage them, reinforcing the value of multi-channel retention strategies.

Objective 3: To study the impact of customer segmentation and personalized communication on customer lifetime value (LTV) and repeat usage

Secondary evidence from McKinsey's personalization research and fintech analytics studies demonstrates the strong quantitative impact of segmentation and personalized communication. Organizations that implement personalization effectively report up to 40% higher revenue compared to firms relying on generic messaging. Fintech-specific research indicates that engagement metrics improve by 20–40% when communication is tailored based on user behavior, transaction history, lifecycle stage, and preference patterns.

Segmentation-driven strategies enable fintech companies to align messaging with customer intent and needs, reducing churn and enhancing repeat usage. Examples include sending targeted credit or investment product offers based on usage patterns, personalized financial insights, or reminders for goal-based savings. By combining behavioral analytics with demographic segmentation, fintechs can maximize customer lifetime value and optimize retention efforts, demonstrating that personalization is

a critical driver of long-term value creation in retention marketing.

Objective 4: To identify key challenges affecting the implementation of retention marketing strategies in fintech companies

Secondary evidence from industry surveys, fintech operational studies, and regulatory publications identifies several challenges limiting the full potential of retention marketing. Many organizations rely on surface-level metrics, such as open rates and click-through rates, without linking them to deeper outcomes like customer activation, retention duration, or overall LTV. This lack of integrated measurement frameworks can hinder strategic decision-making and resource allocation.

Regulatory constraints also pose significant execution challenges. Guidelines from TRAI's DLT framework and RBI compliance requirements necessitate consent-based communication, secure data handling, and limits on promotional outreach. While these regulations may initially complicate campaign execution, evidence suggests that adherence fosters higher customer trust, reduces spam-related disengagement, and ultimately enhances long-term retention. Operational challenges, such as integrating CRM systems, leveraging real-time analytics, and managing cross-functional alignment between marketing, product, and data teams, also influence the effectiveness of retention strategies.

## V. OVERALL INTERPRETATION

Based on insights drawn from consulting reports, regulatory publications, and fintech industry benchmarks, the analysis highlights that retention marketing is a key driver of cost efficiency, engagement, and long-term customer value in the Indian fintech sector. Multi-channel communication, segmentation, and personalized messaging consistently deliver measurable improvements in customer engagement and lifetime value. However, the effectiveness of these strategies depends on robust measurement frameworks, adherence to regulatory standards, and operational readiness. Additionally, strategic alignment across marketing, analytics, and product teams is essential to maximize retention outcomes and achieve sustainable competitive advantage in the highly dynamic fintech landscape.

## VI. FINDINGS

1. Retention marketing reduces customer acquisition costs (CAC): Fintech companies that focus on retention see significant cost savings. Improving onboarding, providing timely engagement, and offering loyalty rewards or tailored campaigns can increase activation rates and reduce the cost per activated customer by up to 30–35%. Retained customers contribute more over time, improving the overall LTV:CAC ratio.
2. Multi-channel communication improves engagement and retention: Using a combination of WhatsApp, SMS, and push notifications is more effective than relying on a single channel. WhatsApp messages achieve the highest open rates (up to 98%), while SMS is useful for urgent updates and push notifications for real-time engagement. Coordinated multi-channel campaigns reduce drop-offs, improve conversion, and help identify customers who may disengage early.
3. Segmentation and personalization boost lifetime value (LTV) and repeat usage: Tailoring communication based on customer behavior, transaction history, and lifecycle stage increases engagement by 20–40% and can generate up to 40% more revenue compared to generic messaging. Targeted offers, reminders, and personalized insights encourage repeat usage and reduce churn, maximizing long-term value.
4. Challenges exist in measurement and compliance: Many fintech firms track surface-level metrics like open rates and clicks without linking them to business outcomes like retention or LTV. Regulatory requirements (TRAI DLT framework, RBI guidelines) add complexity but improve trust and long-term retention. Operational issues, such as CRM integration and cross-team coordination, also affect the success of retention strategies.
5. Overall insight: Retention marketing is not just a support function but a strategic tool that reduces costs, improves engagement, and increases customer lifetime value. Its success relies on personalized, multi-channel communication, strong measurement frameworks, regulatory compliance, and coordinated efforts across teams.

## VII.

## VIII. LIMITATIONS

The study is primarily based on secondary data, which may not fully reflect real-time practices of individual fintech firms.

1. Many sources focus on surface-level metrics like open rates and clicks, without linking them to deeper outcomes such as customer lifetime value or long-term retention.
2. Findings may not be equally applicable across all fintech segments or customer demographics.
3. The rapidly evolving fintech market means some insights could become outdated quickly.
4. Variations in operational capabilities, such as CRM systems and analytics infrastructure, may affect the effectiveness of retention strategies across companies

## IX. CONCLUSION

Retention marketing has become a critical strategy for fintech companies in India, where rising customer acquisition costs and intense competition make acquisition-focused approaches alone insufficient. Evidence shows that multi-channel communication, including WhatsApp, SMS, and push notifications, significantly improves customer engagement and reduces drop-offs during onboarding and post-activation stages. When combined with personalized messaging and customer segmentation, these strategies not only enhance repeat usage but also increase customer lifetime value (LTV), making retention a cost-efficient driver of growth.

The success of retention initiatives depends on robust measurement frameworks that link engagement metrics to deeper business outcomes, such as retention duration and LTV. Regulatory compliance with RBI and TRAI guidelines further strengthens customer trust and supports long-term loyalty, while operational readiness—such as effective CRM integration, real-time analytics, and cross-team coordination—ensures smooth execution of retention strategies.

Overall, retention marketing is more than a tactical tool; it is a strategic lever that enables fintech companies to achieve sustainable profitability, build stronger customer relationships, and maintain competitive advantage in the rapidly evolving Indian fintech ecosystem. Firms that effectively integrate multi-channel, personalized, and data-driven retention

strategies are better positioned to maximize engagement, reduce costs, and secure long-term growth.

#### X. SCOPE FOR FUTURE RESEARCH

1. Primary Research: Future studies can include surveys, interviews, or focus groups with fintech customers and managers to validate and complement secondary data insights.
2. Segment Specific Analysis: Research can focus on specific fintech segments, such as digital lending, neobanks, or investment platforms, to identify segment-tailored retention strategies.
3. Behavioral and Psychological Factors: Further studies could explore how trust, risk perception, user experience, and digital convenience influence retention and loyalty in fintech.
4. Technology-Driven Retention: Future research can examine the role of AI, predictive analytics, chatbots, and automation in improving personalized engagement and retention.
5. Longitudinal Studies: Tracking customer engagement and retention over time would provide insights into the long-term effectiveness of retention strategies.

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