

Millennial Reaction towards Customer Attraction and Retention Strategies Adopted by Digital Payment/UPI Apps.

Mohd Moinuddin Mudassir

Abstract: The digital payment/UPI transactions have seen tremendous growth in the last five years in India. Mobile penetration, data offers by telecoms and government initiatives such as Digital India are playing a catalyst role that leads to an exponential growth of digital/UPI payments. Millennial customers are generally known to be tech-savvy generation and sometimes categorize as innovators or early adopters generation, making the most use of digital/UPI payments at the point of sale (POS) for services and products. The structured questionnaire was used to collect data to understand the reasons for preferring digital payment/UPI apps over cash/card and to examine the reactions from millennial towards marketing strategies. Primary data was collected from 100 respondents in Hyderabad, India. The study found that millennial customers are very positive towards preferring digital payment/UPI apps over cash/card. ANOVA was used to analyze the responses, which indicate that there is no significant variance in consumer preference and reactions towards marketing strategies based on demographic factors.

Keywords: Millennial, Customer attraction and retention strategy, Digital Payment/UPI apps.

I. INTRODUCTION

Cashless payments or Digital payments in India are growing faster than any other countries across the world. The shift has attracted a host of tech companies, backed by healthy-pocketed foreign investors, combatting for market share. According to data from the Bank for International Settlements (BIS), in 2018, digital transactions in India increased by 55%, compared to China (48%) and Indonesia (23%).³

India has many of the attributes that tend to push the growth in digital payments. It has a large population with extensive mobile phone penetration. According to KPMG (a renowned consulting firm), digital payments are forecast to grow about 29% annually in developing markets. According to an Assocham-PWC India study, digital payments in India will more than double to \$135.2 billion in 2023 from \$64.8 billion (2019). India is expected to clock the fastest growth in digital payments' transaction value between 2019 and 2023 with a compounded annual growth of 20.2%.⁴

Available Methods of Digital Payments

There are commonly ten methods of digital payments (refer fig: 1) in India. Among these methods, Unified Payment Interface (UPI) and debit cards are the most preferred mode of payment (report by Worldline India – an online payment processor).

The top four leading methods of digital payments in terms of volume share of digital transactions are UPI followed by debit cards, immediate payment service (IMPS), and credit cards.

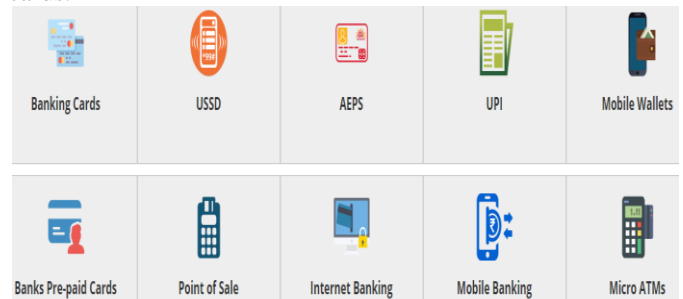


Figure 1: Methods of Digital Payments

Source:

http://cashlessindia.gov.in/digital_payment_methods.html

In 2019, these four payment modes recorded a combined transaction volume of over 20 trillion and a combined value of over Rs54 trillion. UPI is also the fastest payment mode to hit 1 billion monthly transactions.

National Payment Council of India (NPCI) operated UPI recorded around 10.8 billion transactions in 2019, a 188% year-on-year (YoY). In terms of value, UPI facilitated transactions worth Rs18.36 trillion in 2019, up 214% YoY compared to 2018. The report said that "merchants in grocery, restaurants, fuel stations, apparel stores, and specialty retail recorded the highest volume share of transactions in 2019."

On the other hand, the transaction value of debit cards stood at Rs6.8 trillion in 2019 while transaction value of credit cards stood at Rs7.1 trillion in the same year, registering YoY growth of 21% and 33% respectively. Number of debit cards transactions at point-of-sale (PoS) terminals stood at 4.9 trillion in 2019, a 16% growth as compared with previous the year. While the number of credit card transactions at PoS machines stood at 2 trillion in 2019, achieving a 20% YoY growth.

The outstanding number of debit cards declined from 923.39 million in January 2019 to 805.32 million in December 2019. While credit card issuance witnessed a growth of over 10 million cards from around 45.17 million in January 2019 to around 55.33 million credit cards in December 2019.

However, according to Reserve Bank of India (RBI) annual report 2018-19, the total number of transactions via UPI was 1.2 times higher the number of debit card transactions in 2018-19. Around 9 banks were added to UPI platform, taking the total number of banks providing UPI services to 143 as of December 2019.

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Ever since UPI's launch in 2016, the payment mode has received a larger push from both the central government and the RBI, placing UPI as a key product to help India move to a "less-cash economy". The move seems to have worked with, banks, fintechs, and payment wallets persuading its customer to use UPI for both merchant and P2P payments. There are more than 100 companies offering UPI service transactions. The leading UPI players are the most popular payment apps including Paytm, PhonePe, Google Pay, Bhim and bank-operated UPI apps. Paytm, which is presently (February-2020) the most popular digital payments apps in India has around 250 million users. It plans to clock 12 billion transactions in 2020. The Flipkart owned payments service PhonePe has around 170 million users (December 2019). Google Pay has more than 67 million users in India as of September 2019. According to McKinsey, the payments business would be worth \$2 trillion by the year 2020.

II. RESEARCH PROBLEM

It has been observed that the UPI payment apps are becoming the most preferred mode of transaction especially among millennial customers. Although, there are other types of methods of digital payment like debit card, etc., which was exist before UPI, but the ratio of usage share among customers witnessed the UPI method over other methods. UPI's growth rate is also increasing marginally compare to other digital payment methods. From the outlook, the figures of digital payments look very attractive and appealing especially the progressive figures of UPI growth rate. There could be many functionality aspects/reasons behind the increase of use of UPI among customers like user friendly, easy access, tech savvy customers, and so on. However, the customer attraction and retention strategies adopted by UPI operators (marketers) like Paytm, PhonePe, etc. has fueled in the success story of UPI. This study assumes, the customer attraction and retention strategies like target spending, cashback offers, payment/bill reminders, etc. induce the customers especially the millennial to use UPI and thus played a major role in UPI's success story.

III. REVIEW OF LITERATURE

¹Broadie (2007) stated that the e-banking is leading to a paradigm shift in marketing practices resulting in high performance in the banking industry. Delivery of service in banking can be provided efficiently only when the back ground operations are efficient. An efficient back ground operation can be conducted only when it is integrated by an electronic system. The components like data, hardware, software, network and people are the essential elements of the system.

⁶Narang, et al., (2012) mobile platform offers an exciting opportunity that can be leveraged by marketers for their brands and products. The recent trend in digital payments i.e. Quick Response (QR) codes is creating waves in the area of mobile marketing. The study used Elaboration Likelihood Model to get the theoretical framework to understand how QR codes influence the consumer's attitude toward the advertisement, attitude towards the brand and purchase intentions. The study revealed that QR codes could

be an effective marketing tool depending on the level of consumers' involvement.

⁵Mukhopadhyay, B. (2016) gave comprehensive look at cashless payments from the perspective of instruments (cards versus mobile payments) and micro units (individuals and households). It presented a theoretical model of payment decisions by consumers and sellers. These decisions are influenced by the convenience of cashless transactions weighed against the temptation to evade taxes.

⁸Podile & Rajesh (2017) found that some kind of negative perceptions are holding back many from adopting the digital payment system. The negative perceptions are like poor network coverage, security problems, and lack of merchant willingness, lack of users' knowledge on technology, high transactional costs, defunct POS machines, procedures, delayed reimbursement in case of failed transactions, and financial limits. Convenience in use of cashless transactions and incentive system are the positive signs for the progress of cashless payments in India.

²Hossain et al. (2018) found QR codes' usefulness, acceptability, and feasibility as online shopping tools that can influence customer satisfaction and purchase intention. The study showed that QR codes influence the perceived flow that indicates consumers felt totally captivated, felt very quickly time passing, and nothing seemed to matter to them while using the QR codes, which then again influence online shoppers' satisfaction (consumer felt positive attitude and satisfaction for using QR codes) and finally purchase intention (consumers want to use QR code in near future). Furthermore, the study suggested marketers to use QR codes as an embedded advertising tool with particular URLs that will lead to more profitability for shopping agency.

⁹R Renjan, Kamal Anju (2019) concluded that the utility from the mobile payment platforms are one of the main drivers of their business. The level of accessibility, convenience, and comfort along with the monetary and non-monetary offers offered by Paytm, PhonePe, and others are founded to be the deciding factors. Income has no relation to the selection of mobile payments, but education and awareness are found to be the deciding factors.

Need of the Study

Scores of people keep on downloading the digital payment apps or UPI enabled apps like Paytm, PhonePe, GooglePay, etc. for digital transaction though they have the other digital modes like debit/credit card. The progressive growth rate of UPI compare to other digital modes has triggered to conduct a research study to know the insight of its success.

After conducting a study on the relevant existing literature, it found that the functionality aspects/reasons like user friendly, easy access, tech savvy customers, etc. are behind the increase of use of UPI among customers. However, there are less number of studies, which covered the connection between customers and strategies adopted by digital payment apps (marketers). Hence, this study is an attempt to study the customer (millennial) responds towards customer attraction and retention strategies adopted by digital payment apps.

Definition of terms:

This study considered target spending, cashback offers, scratch cards and payment reminders with cashback as

strategies for attracting and retaining customers. (Refer fig: 2)

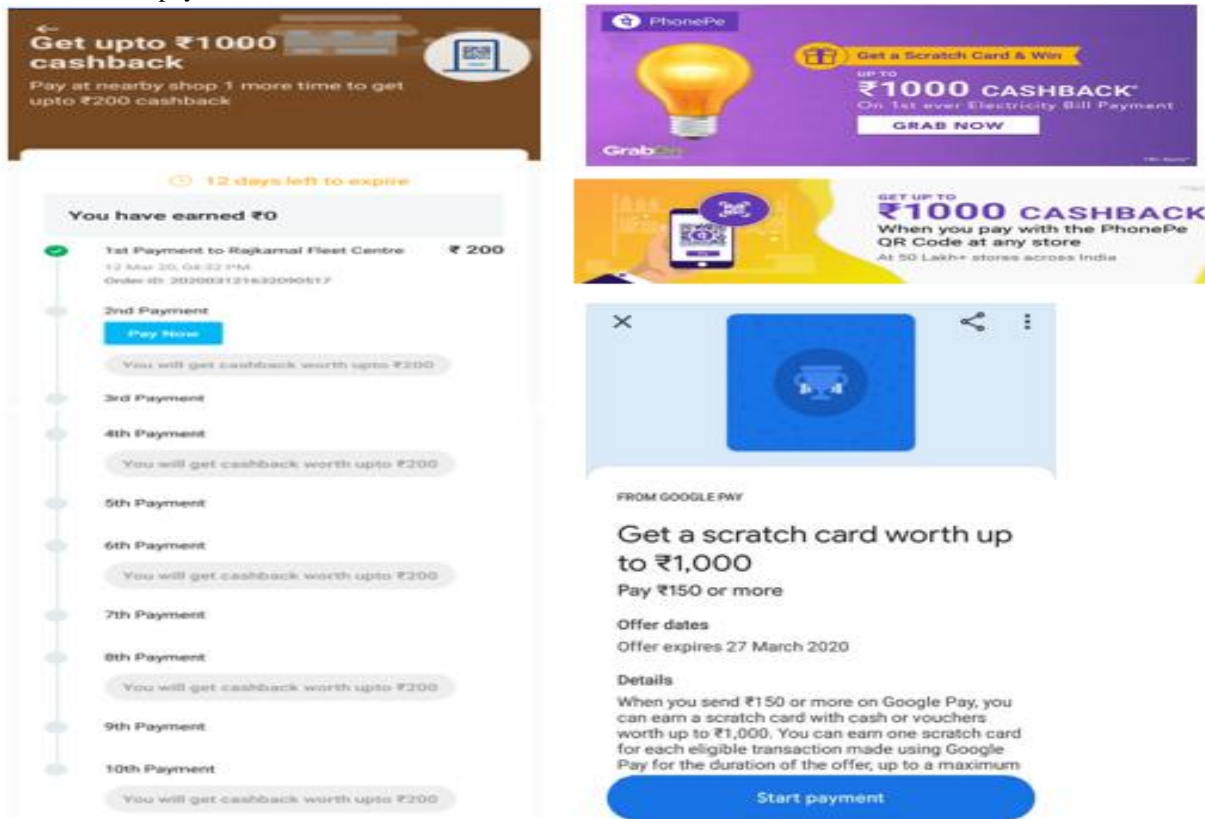


Figure 2: Some of the strategies for attracting and retaining customers by Digital Payment Apps

Objectives

1. To study the possible reasons for preferring digital payment/UPI apps over cash/card.
2. To examine the customer responds towards the customer attraction and retention strategies adopted digital payment/UPI apps.
3. To identify the customer gap (difference between customer expectations and customer perception) on digital payment/UPI apps.

Hypothesis

- H₀₁** There is no significant difference in millennial for preferring digital payment/UPI apps over cash/card on the basis of gender.
- H₀₂** There is no significant difference in millennial for preferring digital payment/UPI apps over cash/card on the basis of education.
- H₀₃** There is no significant difference in millennial for preferring digital payment/UPI apps over cash/card on the basis of profession.
- H₀₄** There is no significant difference in millennial for preferring digital payment/UPI apps over cash/card on the basis of annual income.
- H₀₅** There is no significant difference in millennial responds towards the customer attraction and retention strategies adopted by digital payment/UPI apps on the basis of gender.
- H₀₆** There is no significant difference in millennial responds towards the customer attraction and retention strategies

adopted by digital payment/UPI apps on the basis of education.

H₀₇ There is no significant difference in millennial responds towards the customer attraction and retention strategies adopted by digital payment/UPI apps on the basis of profession.

H₀₈ There is no significant difference in millennial responds towards the customer attraction and retention strategies adopted by digital payment/UPI apps on the basis of annual income.

Limitations

The study is conducted on few aspects of customer preferences and perceptions about UPI/digital payment apps, which sets the limitations and makes the scope for further research by considering other aspects or dimensions of the selected concept.

The conclusion of the study may not fit to the whole population of India, since the sample belongs to the Hyderabad city only.

IV. RESEARCH METHODOLOGY

- **Sampling unit/sample size:** The sampling unit is the millennial customers who were using UPI/digital payment apps like Paytm, PhonePe, GooglePay, etc. The sampling unit belongs to Hyderabad, India. The sample size is 100, selected based on random sampling technique.



• **Research method:** The study adopted survey technique of quantitative study method, wherein the structured questionnaire provided for collecting data from the eligible participants. The survey carried out through online mode over survey monkey platform.

Data Presentation & Analysis

The reliability and validity of collected data tested on Cronbach’s Alpha. The score is 0.735, which passes the acceptable score level i.e. 0.7.

Table 1: Quantitative data representing preference of digital payment/UPI apps over cash/cash

Preferring digital payment/UPI apps over cash/card	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Digital payment/UPI apps are more convenient than cash/card.	9	15	7	45	24
Digital payment/UPI apps save time than cash/card.	13	5	16	37	29
It is profitable to use digital payment/UPI apps than cash/card because it gives cashback offers.	69	22	1	5	3
Digital payment/UPI apps help me to budget my spending.	36	33	4	20	7
I love to use digital payment/UPI apps over cash/card because it makes me feel a tech-savvy person.	66	22	2	4	6

The majority of the millennial believes using digital payment/UPI apps are not convenient and consume more time to use compare to cash/card, yet they prefer payment apps to reap its benefits like cashback offers, transaction history, etc. Millennial believes a tech-savvy person prefers digital payment/UPI apps over cash/card.

Table 2: Quantitative data representing customer perception about customer attraction and retention strategies

Customer responds towards customer attraction and retention strategies.	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I often try to achieve the number of required payments to get cashback/scratch card.	22	62	2	10	4
I often make payments of other family members/friends through my digital payment/UPI apps in exchange for cash, just to get/reach the cashback or the number of required payments to get cashback/scratch card.	19	65	0	9	7
All payment/bill reminders from digital payment/UPI apps always turn into a real transaction.	46	27	3	19	5
Most of the offers, which I get are matching with my expectations.	7	3	1	63	26
I always redeem offline discount coupons received from digital payment/UPI apps.	9	17	5	47	22



Millennial tries to achieve the number of required payments by making payments of family members/friends in exchange for cash to get cashback/scratch card. The study found that most of the millennial turn bill/payment ANOVA Analysis

reminders into a real transaction. And, millennial is too passive to redeem offline discount coupons, as the reason may perhaps not matching with their expectations.

Table 3: ANOVA

Preferring digital payment/UPI apps over cash/card	Gender		Education		Profession		Income level	
	F	Sig.	F	Sig.	F	Sig.	F	Sig.
Digital payment/UPI apps are more convenient than cash/card.	0.187	0.653	1.608	0.251	1.389	0.231	0.714	0.583
Digital payment/UPI apps save time than cash/card.	7.989	0.004	6.452	0.081	3.275	0.034	1.079	0.356
It is profitable to use digital payment/UPI apps than cash/card because it gives cashback offers.	1.002	0.298	3.899	0.37	2.552	0.059	2.009	0.12
Digital payment/UPI apps help me to budget my spending.	0.889	0.598	2.239	0.973	1.052	0.509	0.889	0.392
I love to use digital payment/UPI apps over cash/card because it makes me feel a tech-savvy person.	2.889	0.098	5.395	0.856	2.093	0.099	0.957	0.432
Customer responds towards customer attraction and retention strategies.								
I often try to achieve the number of required payments to get cashback/scratch card.	0.178	0.537	1.03	0.02	1.829	0.313	0.842	0.533
I often make payments of other family members/friends through my digital payment/UPI apps in exchange for cash, just to get/reach the cashback or the number of required payments to get cashback/scratch card.	7.882	0.003	6.223	0.001	3.083	0.03	1.046	0.299
All payment/bill reminders from digital payment/UPI apps always turn into a real transaction.	1.006	0.275	3.989	0.584	2.989	0.055	1.9	0.122

Most of the offers, which I get are matching with my expectations.	0.902	0.589	2.29	0.663	1.002	0.498	0.912	0.402
I always redeem offline discount coupons received from digital payment/UPI apps.	3.009	0.094	9.995	0.73	2.202	0.089	0.978	.39s2

V. ANALYSIS OF COLLECTED DATA

The result of ANOVA shows that there are no significant differences in millennial customers for preferring digital payment/UPI apps over cash/card on the basis of demographic variables. Hence, we accept the H01-H04. This indicates that both male and female, low educated and high educated, employees and business person, & low income and high income millennial customers prefer digital payment/UPI apps over cash/card. Likewise, the study also found that there are no significant differences in millennial responds towards the customer attraction and retention strategies adopted by digital payment/UPI apps on the basis of various demographic variables. Hence, H05-H08 are accepted.

VI. CONCLUSION:

The study found that millennial does not have any demographic relation with their adoption of digital payment/UPI apps over cash/card. Also, millennial does not have any demographic relation with respect to their responds towards customer attraction and retention strategies adopted by digital payment/UPI apps. The study found that Hyderabad millennial are very enthusiast to achieve the number of required payments as they are ready to make payments of others in exchange for cash to get cashback offers/scratch card. The majority of the millennial believes using digital payment/UPI apps are not convenient and consume more time to use compare to cash/card, yet they prefer payment apps to reap its benefits. Millennial believes a tech-savvy person prefers digital payment/UPI apps over cash/card. The marketers should consider the customers' expectations in devising the cashback offers as millennials are not preferring to redeem offline vouchers.

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