



Behavioural Economics and Consumer Retention: Consumers' Insights into How Marketing Strategies Influence OTT Platform Preferences

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Abstract

Behavioural economics combines disciplines from psychology and economics to understand how consumers make real-world decisions, especially on OTT platforms. With the rapid growth of these OTT platforms, many platforms are incorporating behavioral economics into their marketing strategies to enhance consumer retention. This study aims to understand from the consumers' point of view how they feel about various marketing strategies that influence their choice of OTT platforms. The paper understands the underlying factors for a consumer's loyalty to OTT platforms. This was conducted through a quantitative survey through Google Forms, collecting around 76 responses across diverse age groups in India to capture consumer perspectives on marketing used by these OTT platforms. The findings thereby reveal that strategies such as personalized recommendations, content quality, pricing psychology, and the subscription models significantly affect a consumer's loyalty over certain OTT platforms, with weekly content releases and personalized recommendation algorithms being the prime factor. These insights help suggest that understanding marketing strategies through the lens of behavioural economics can help understand the underlying goals of the firm. It also offers an educational and policy relevance for firms and institutions to apply ethical, consumer-focused behavioural design in competitive markets.

Keywords: *Behavioural Economics; OTT Platforms; Marketing Strategies; Consumer Preference*

Introduction

Behavioral economics is a discipline that combines psychology and economics to help understand how people behave the way they do in real life and what drives them to make economic decisions. It builds upon the idea that people do not always make rational or optimal decisions. Behavioral economics considers humans who have emotions and make impulsive decisions. Notable research in this field includes Kahneman and Tversky's Prospect Theory, which introduces concepts such as loss aversion and

people's tendency to fear losses, and Richard Thaler's "Nudge Theory," which showcases how subtle interventions and changes in choices can shape society's decision-making in areas such as health and savings.

Behavioral economics discusses several key concepts and frameworks. It also examines the effects of choice architecture, wherein the organization of options can improve individuals' and businesses' decision-making skills. Other concepts include framing and anchoring, where initial information influences decisions.

It is also highly valuable for businesses as it gives firms insights about consumer behaviour and how they make decisions in certain situations, enabling firms to create strategies based on real human behaviour rather than rational theories. For example, the nudge theory helps businesses influence consumer behavior through their options in favor of the businesses. Behavioral economics is used in pricing and marketing strategies across firms from different categories. Anchoring effects are used to set perceived value by presenting higher initial prices before offering discounts to catch the consumer's attention. Framing is also widely used in advertising to describe a product to make it more appealing through the choice of words. For example, instead of the product claiming to be 5% fat, it claims to be 95% fat-free, which sounds inviting for purchasing, helping with the marketing strategy.

Over-the-top platforms have transformed the media industry by delivering content to consumers via the Internet, making content more available and accessible. Popular OTT services such as Netflix, Amazon Prime, Disney+, and YouTube, cover a wide range of entertainment resources catering to diverse audience preferences across various compatible devices. This added comfort and a user-centric experience in browsing available entertainment sources over the internet has accentuated its demand in the entertainment industry, making it extremely popular in recent years, leading to immense competition in the market. This market rapidly evolves with new entrants and marketers seeking to capture audience attention and consumer retention.

In 2022, the Indian OTT market was valued at 200.5 billion dollars, with an annual growth rate of 17.20% (*Equentis, 2024*). One main cause of this is that the advent of affordable smartphones and high-speed internet has accelerated a rightward shift in the demand for OTT platforms. According to sources, the number of Internet users in India will reach 974 million by 2025 due to the accessibility of smartphones and access to high-speed networks, increasing the demographics who are acquainted with the Internet. With affordable data plans for the internet, OTT platforms have benefited heavily in recent years.

According to a report by Evoca, 5.27 billion people are estimated to use OTT platforms in 2025, with 42.7% of the OTT users are between 18-24 years old. This increase in viewer attention also contributes to the fact that a growing population has the resources for mobile devices to access OTT platforms, with an OTT penetration to be 68.07%. These stats prove that increased accessibility of devices and the internet helped increase viewer growth and the OTT market. The OTT market in India was valued at 275.30 USD in 2024 (*Market Research Future*).

This research paper aims to understand how various OTT platforms incorporate behavioral economics into their marketing strategies to help with consumer retention.

Literature Review

Various research papers talked about consumer retention (Kaur and Chhabria, 2022), focused on OTT platform strategies such as consumer stickiness, and emphasized another perspective on the supplier's side by interviewing 16 different experts associated with OTT platforms and people handling

various marketing positions. The data includes topics related to the industry landscape, the value created for the consumer, and their overall experience on Indian platforms. The study revealed that the key strategies adopted by the Indian OTT platforms to ensure consumer retention include enhancing consumer experience and differentiating content while extending the platform's value. This unique outlook from the firm's point of view helped to understand these strategies for consumers.

A few studies showcased the interdisciplinary connection of marketing and behavioral economics that firms use to understand the factors that contribute to a user's willingness to keep subscribing and the factors that drive consumer preference to choose various packages. The study was conducted by taking an OTT platform popular in the region (Vidio) and analyzing the behavior of the people of current and ex-users of the platform towards their preference for oversubscription.

A few of the papers also analyzed how COVID-19 helped boost the consumer's shift to OTT platforms such as a paper by Sharma and Lulanada (2022) highlights the growth of OTT platforms during COVID and the main knowledge gaps that were to fill were the new strategies and habits used by these platforms to maintain resilience during the pandemic. This was conducted through a Google survey to understand consumers' experiences during the pandemic.

Papers also showed that due to COVID-19, many platforms changed their pricing strategies and had innovative strategy plans and content localization (providing local content to the readers). The COVID factor is a major circumstance, as seen in the paper by Mausumi Bhattacharyya (2020). The paper analyzed various growth strategies and revenue challenges this industry might face shortly. The paper identified that when consumption goes upward, the monetary outflow can account for certain types of variable costs, leading to the creation of hindrances to content delivery (an increase in delivery costs adds to production costs). The paper also identifies financial strains masked by the increased subscriber count.

A research paper mainly targeted at India by Bhavyarajsinh D. Jhala and Vivek B. Patadiya (2021) also showcases how COVID changed the way audiences consumed the media since the lockdown caused the people to stay at home, leading to a rise in subscribers. The paper noted that there was a rise in subscribers by 30% from March to July 2020. The objective of the study was to interpret upcoming trends in OTT platforms. The methodology was to survey the use of Google Forms, which helped the researchers understand the reasons behind switching to OTT platforms.

Many papers also identify how certain attributes in these subscription-based models affect the consumer's decision-making process. A paper by Bokstrom and Erikson (2023) understands and identifies these various factors through qualitative and quantitative approaches. The results for quantifiable data are retrieved from multiple choice surveys and the qualitative research questions subjective forms of the phenomenon such as individual perceptions and feelings which is executed through the usage of a Kano Model where respondents get two questions for each attribute one functional and one dysfunctional and asks how they would feel if the given attribute were to be absent. One of the major attributes that was found to be the reason for the subscription was that the content was the most important feature, whereas the subscription's pricing strategy was placed second, followed by user experience, and lastly, customer service. Another paper (Yadav & Jain, 2024) also provides similar insights about factors in literature review by analyzing key elements such as compatibility, freemium models, content variety and quality, social media engagement, and more, providing an understanding of what influences these subscriptions.

Papers also looked at one of the most overlooked factors of OTT platforms, the involvement of these platforms during the process of time. Researchers analyzed why consumers liked going to these platforms during recent times and how the means of entertainment have evolved. The study also discussed how, in comparison with the older individuals, the younger generation was more interested in these subscription-based platforms. Other papers (Soren and Chakraborty, 2024) also seek to understand the factors affecting usage intention and highlight the important determinants of behavioral intentions. It also

outlined how viewers nowadays spend 6 hours and 48 minutes per week, which is a 59% increase from 2016, due to the increased availability.

A few papers have also studied how digital marketing leads to consumer engagement. Likewise, a paper (Miaochao Chen, 2022) highlights how the Internet has become a part of everyone's lives in recent years. The study investigates the relationship between Digital Media Marketing, consumer engagement, brand image, and OTT platform purchase intention in the Indian context. A survey was conducted with 417 Indians and found that there was no direct relationship between the effect of DMM on the purchase intention of OTT platforms. Brand image and consumer engagement seem to have a strong indirect effect.

A few papers also analyzed the change in the major structure of OTT platforms. For example, Park and Kwon (2019) stated that new entrants like OTT media firms kept using various competition strategies, including mergers and acquisitions, to gain a foothold. The entry of new firms increased tension with fixed and mobile broadband networks to find a place in the market.

Some papers even analyze how OTT platforms affect other service providers, their impact on consumer behavior, and the reasons for their switch. One such paper is Daniel Varun Paul's "A Study on Over-the-Top Platforms on DTH and Its Impact on Consumer Behavior."

Methodology

For the research methodology, data was collected through random sampling of a quantitative research approach from all age categories, helping to replicate India's demographics in age factors since age is a big consideration in consumers' opinions about OTT platforms. Google Forms were sent to random people to fill out and express the consumers' perspectives on the OTT platform, emphasizing the consumers' behaviors regarding OTT platforms. Primary data helps collect a more nuanced and accurate representation of consumers and their views, thereby addressing the collective objective of gaining raw consumer insights. The study's form recorded 76 responses. This sample helped in preliminary research and understanding primary consumer behaviour patterns while using OTT platforms, helping the study draw connections to age-specific consumption and user satisfaction. The collected data was then analysed and interpreted through theoretical behavioural economics in the context of marketing and psychology on the OTT platform.

Results and Discussion

The following section will analyse the empirical findings from the survey using graphs and diagrams retrieved from the survey. The results will then be further implemented for continuous analysis, considering the economic theories of behavioural economics.

Demographics - Age

The age is distributed into category groups: under 18, 18 to 24, 25 to 34, 35 to 44, 45 to 54, and 55+. This diverse category gave the findings a clear understanding of the diverse demographics that can stimulate the population of India and the middle class who have access to OTT platforms. As depicted in the pie chart, the largest respondents are in the 35 to 44 age range category, with 25 respondents and a 32.9% weightage in the chart, followed by the 45 to 55 age group with 24 respondents holding a 31.6% weightage. The age category of 25 to 34 comprises 13.2% with 10 respondents, whereas the under-18 category comprises 11.8% with 9 respondents. The remaining respondents are the 18 to 24 category and the 55+ category, which comprise 6.6% and 3.9%, respectively. This shows that the middle age group of 35 to 54 collectively comprises a large chunk of respondents, which may result in data that is more

representative of the individuals between those age categories. Regardless of the age disparity, the survey results remain unaffected since no particular age group is mentioned, and the entire population with an OTT platform is considered.

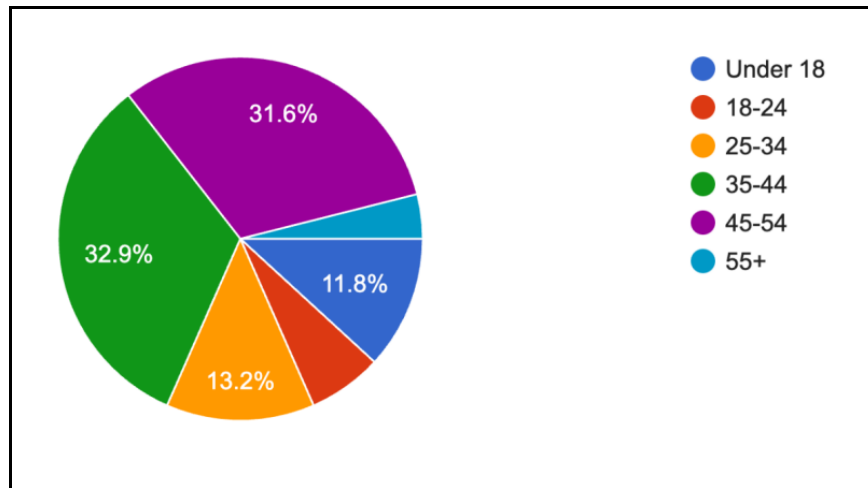


Figure 1: Age Distribution (N=76)

Most Popular OTT Platform

According to the survey, regardless of the age factor as a demographic, the most popular OTT platform is Netflix. There are some mentions of Amazon Prime, Hotstar, and Disney. Netflix is the most preferred OTT platform among all. However, the question in the questionnaire could be phrased differently to receive more uniform form results, as it is difficult to track Netflix's counts and compare percentages, as many form respondents have used different ways to type the OTT platforms.

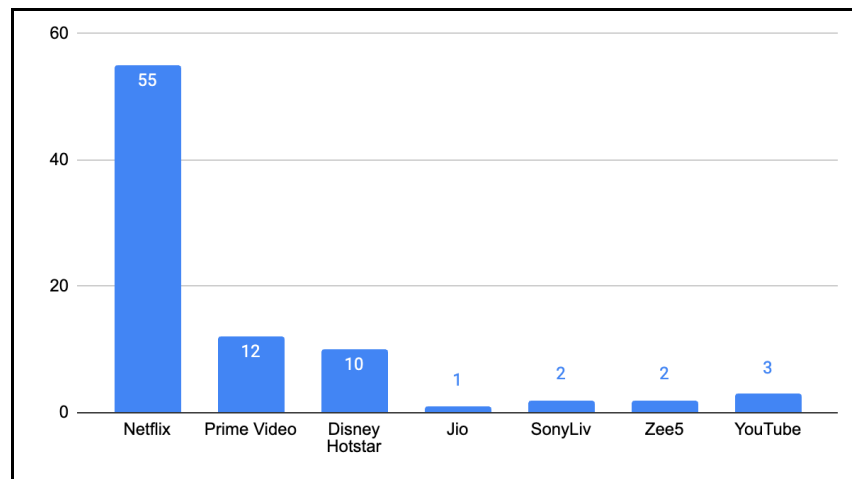


Figure 2: Most Used OTT Platform (N=76)

Weekly Usage of OTT Platforms

The following pie chart shows the number of hours spent by individuals on OTT platforms per week on average. More than 86% of people spend less than 14 hours on OTT platforms. Around 5.3% of the people and 7.9% of the people spend 14 to 21 hours and more than 21 hours on the OTT platforms,

respectively. This shows the omnipresence of OTT platforms in today's world and how widely today's generation uses them. This proves the fact that the following platforms need good marketing strategies to draw individuals towards their platforms.

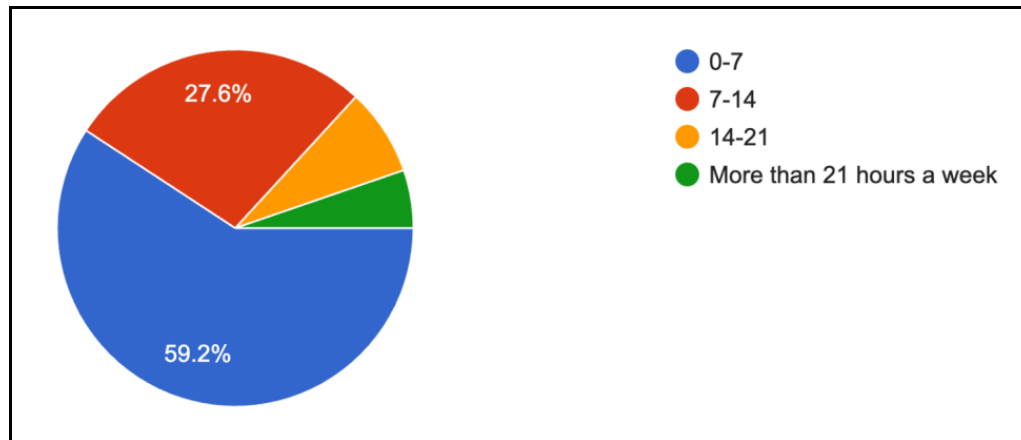


Figure 3: Number of Hours Spent Weekly on OTT Platforms (N=76)

Genre Preference on OTT

The highest percentage of content watched by people is Action/Thriller content, with 30.3%, followed by Comedy and Lighthearted content, with 21.1%. The pie chart shows that many individuals are interested in various genres, with Action and Thriller being the most common genres.

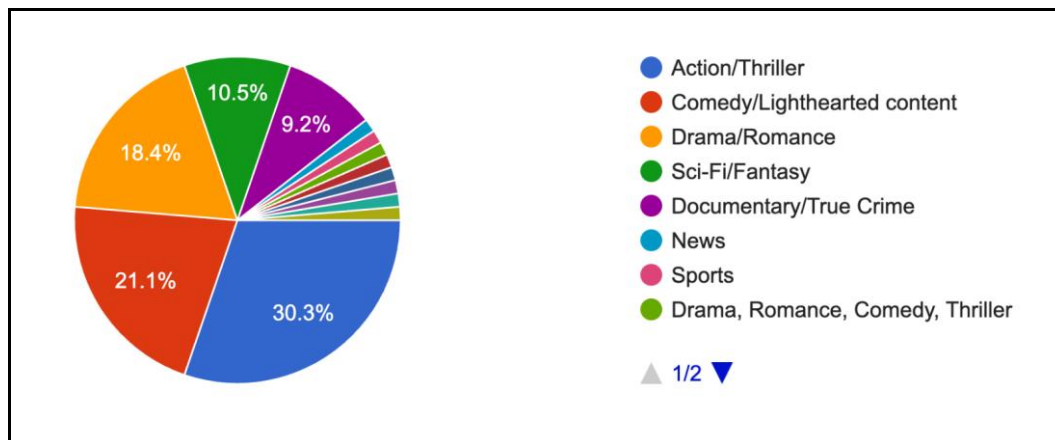


Figure 4: Genre Preferences on OTT Platforms (N=76)

Factors Affecting Consumers' Subscription to OTT Platforms

The data shows consumers' behaviours and what causes them to purchase a particular OTT platform. This helps the platforms understand what aspects they should improve on, with Content being the most important factor in one's subscription decision. Word of mouth or recommendations from other people also attract people to a particular OTT platform, as one's consumption behaviours directly affect another's consumption behaviour when two people are related.

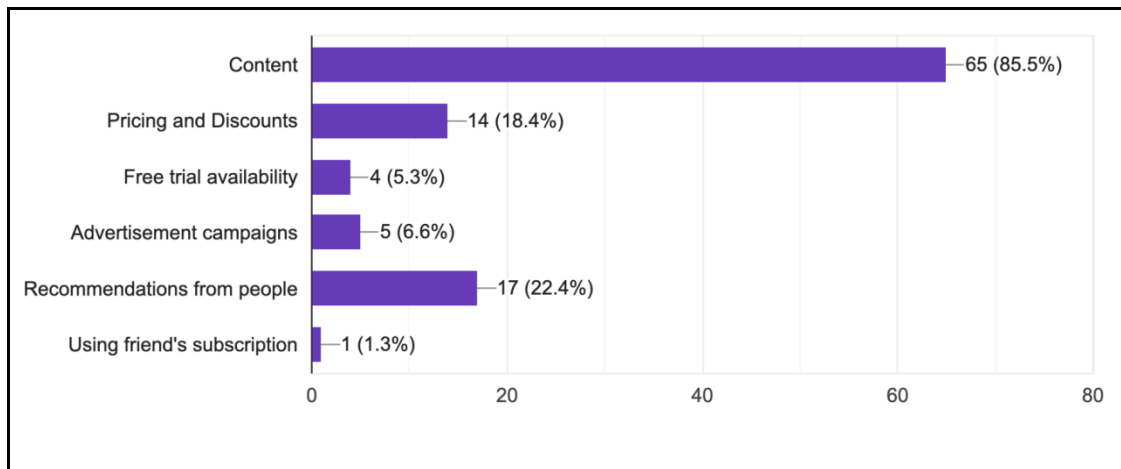


Figure 5: Factors Affecting Subscription to OTT Platforms (N=76)

Price Sensitivity w.r.t OTT Subscription

The pie chart below depicts the number of people who would unsubscribe from an OTT platform if firms decide to increase their prices. However, according to the pie chart, the demand seems to be price inelastic because the largest percentage of 35.5% belongs to people who would rarely unsubscribe. 23.7% of the people would never unsubscribe from a platform if their platforms went up, which shows no correlation between whether or not people have a relation to changes in price, and there was a moderate response in the following inquiry. One trap that can be laid out on the platforms is the subscription trap, as many consumers are bound to pay for the next month's payment without notice - they forget to cancel the subscription.

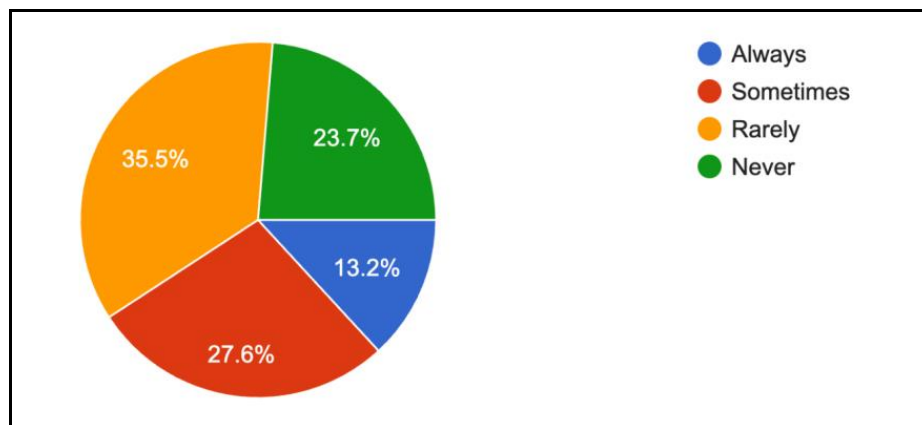


Figure 6: Unsubscribing Consideration if Price Increases by 10% (N=76)

Role of Cancellation Flexibility/Freedom in Subscribing to an OTT Platform

The pie chart depicts how important the factor of canceling the subscription is when choosing an OTT platform for multiple people. Those who have selected "Sometimes" (44.7%) and "Rarely" (21.1%) may categorise OTT platforms as a fixed entertainment cost rather than a variable cost as they are compelled to be flexible with both the ideas - being able to cancel or not being able to cancel anytime that they would prefer. One tactic that firms use is the subscription plan, wherein the payment mode is automatic, binding the user every month.

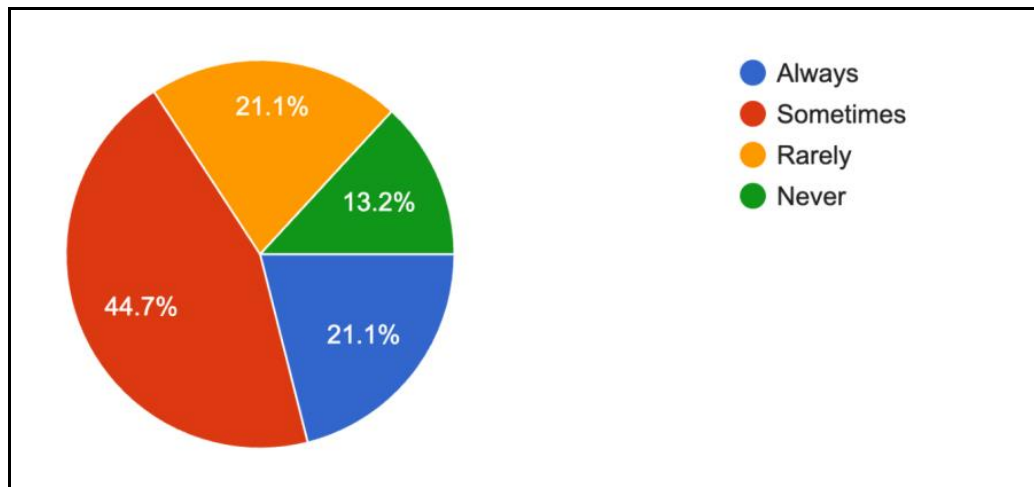


Figure 7: Role of Cancellation Flexibility in Subscription Decision to OTT Platforms (N=76)

4.8 Consumer Perception Regarding Weekly Episode Releases as a Retention Strategy

A whopping 73.7% of the viewers believe that the weekly releases are a strong strategy to keep the respondents hooked on a particular OTT platform. This creates a sense of habit formation as the consumers are now hooked and go back to the platform every week for weekly updates on new shows. This creates a loop reinforcing engagement from the consumers. It would also cause them to refill their subscription plan as they have to wait for new shows that only come in once a week, hence, profit maximization for the firms. This builds behavioral dependency, making more subscribers stay subscribed for a long amount of time. This overall increases the likelihood of continuing subscriptions if the platform has multiple weekly release shows.

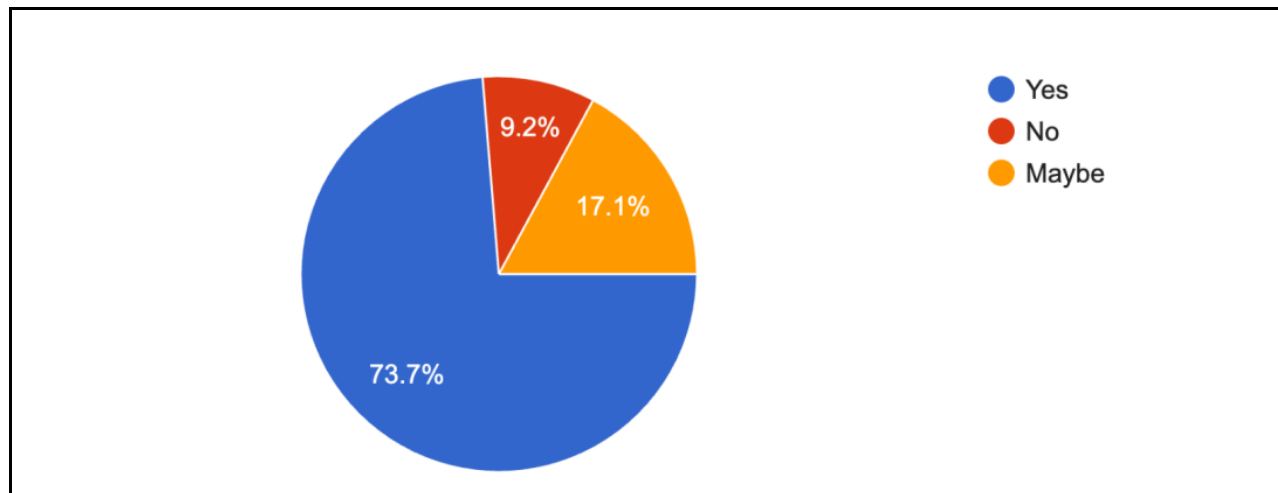


Figure 8: Opinion on OTT Platforms' Usage of Weekly Episode Releases as a Strategy for Viewer Engagement (N=76)

Role of Recommendations in Influencing Viewing Patterns

67.1% of respondents say that recommendations influence their viewing patterns sometimes, and 17.1% say always, depicting strong choice architecture and how the recommendations page influences consumers to watch certain shows, causing them to stay more on a particular platform. This concept of

nudging, where users are slightly guided toward content based on their past behaviour and watch history, convinces them to watch other related shows, as the consumers are made to feel as if they are missing out if they don't watch a particular show that pops up in their recommendations. Nudge theory is used here to encourage people to spend more time on a specific OTT platform.

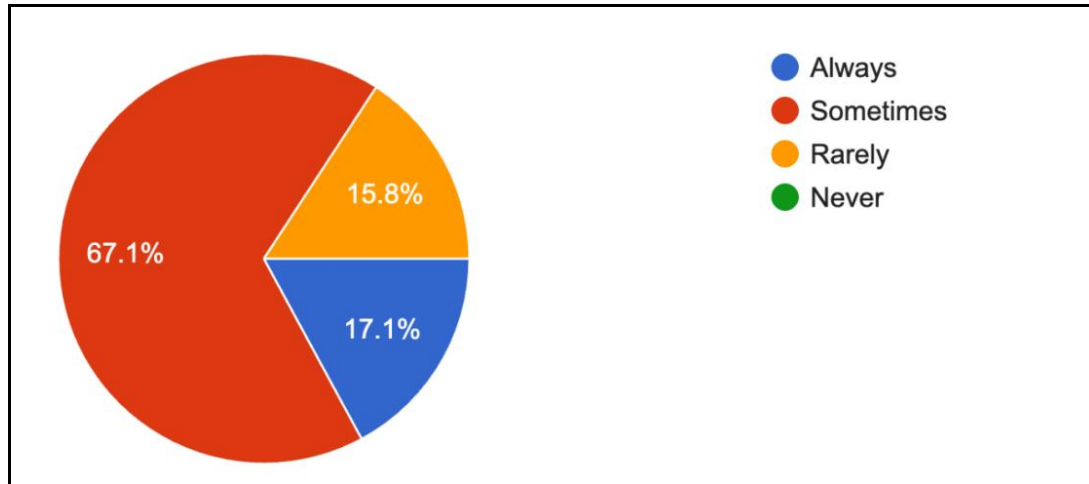


Figure 9: Do recommendations influence viewing patterns (N=76)

Implications of the Study

This study emphasises the importance of data-driven behavioural marketing. Managers can harness a combination of cognitive biases, while also a consumer's rational thinking, to strengthen and refine pricing strategies and create loyalty programs that tie the consumers to the particular firm. This further helps in improving consumer retention with the strategies discussed and increases long-term consumer engagement. Additionally, in an educational setting, institutions can incorporate behavioural economics into marketing curricula, equipping future business leaders with the importance of integrating behavioural economics and marketing to understand and deliver products suitable to form long-standing consumers beyond traditional economic models.

Policy Making and Businesses - Understanding consumer bias through cognition can inform various initiatives such as financial literacy campaigns and nudging techniques to encourage healthier consumption choices, such as promoting sustainable products and reducing excessive spending on demerit goods through behavioural economics principles in general.

For businesses, integrating behavioural economics with marketing creates consumer-centric services, as visible in the OTT market after COVID-19, helping to gain more long-standing consumers. Companies can leverage these tactics in their marketing sector, especially in OTT platforms, to receive higher consumer retention than sticking to traditional economic models. Transparency in behavioural marketing can serve as a competitive edge as consumers gain awareness of various marketing tactics. Businesses that implement ethical behavioral marketing approaches can help foster consumer relationships, helping in long-term profitability and sustainable brand growth.

Conclusion

The integration of behavioral economics in the marketing strategies of OTT platforms highlights the profound influence psychological and cognitive bias have on decision making, moving them from

being rational consumers. From the application of anchoring and loss aversion to the strategic use of choice architecture, these OTT platform firms leverage behavioural insights to enhance consumer retention and help drive sales. This research paper establishes the idea of the growing need for understanding behavioural economics and integrating them into marketing strategies to help sustain a competitive edge in an oligopoly market structure of the OTT industry.

The research showcases different ways in which behavioral economics is applied within marketing strategies. The research highlights the profound influence that psychological and cognitive biases have on decision making, pivoting them from being a rational consumer. The study showcases the evolution of digital entertainment and the exponential growth of the OTT sector in India, which has made consumer understanding of consumer behavior more vital.

Behavioural economics offers a powerful framework to decode the patterns behind these trends, with concepts such as aversion, anchoring, framing, and nudging providing critical insights into how these consumers perceive value, make decisions, and respond to stimuli. OTT platforms leverage these concepts to subtly guide consumer choices through personalised recommendations, interface designs, and tiered pricing models.

Future Scope of the Study

While this study provides valuable insights about how some OTT platforms use behavioural economics strategies to sustain consumers, future research can explore the ethical considerations of behavioural marketing and policy-making emerging in more industries, especially in India. Also, understanding the long-term impact of behavioural interventions on consumers and their purchasing decisions can provide a more holistic understanding of the role of behavioural economics in business strategy. By bridging behavioural economics with marketing, policy makers and businesses can make more consumer-centric marketing places with services and goods that balance profitability and foster sustainable growth, moving from traditional economic models.

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