

Original Research Article

A Study on AI-Driven Pricing Strategies Used by OTT Platforms

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Abstract

Over-the-top (OTT) streaming platforms have moved beyond using artificial intelligence (AI) purely for content recommendation and are increasingly deploying it to set and personalise the price a subscriber sees. This study examines consumer awareness, comfort, and fairness perceptions surrounding AI-driven pricing on OTT platforms through a structured survey of 70 valid respondents, supported by a review of existing academic literature and a real-world industry case study. The research finds that awareness of algorithmic pricing is only moderate while fairness concern is strong: 52.9% of respondents said they were aware that OTT platforms use algorithms to personalise price, only 38.6% said they were comfortable paying a different price than another user for the same plan, and 61.4% said it would feel unfair if a friend paid less for an identical plan a gap of nearly 23 points between discomfort and perceived unfairness. When directly offered a choice between a plainly stated fixed price and a cheaper AI-personalised price, 51.4% of respondents chose the fixed price over the AI-personalised alternative, indicating that transparency outweighs the promise of a discount. Price transparency emerged as the single most valued factor in a subscription decision (34.3%), ahead of content library size, ad-free experience, personalised recommendations, and multi-profile sharing. A supporting case study of Netflix's password-sharing crackdown and ad-supported tier rollout illustrates that a well-executed, AI-enabled monetisation strategy can still deliver substantial subscriber and revenue growth even amid visible consumer frustration. The study concludes that AI-driven pricing is not a purely technical back-end function but a measurable driver of consumer trust, and that long-term commercial success depends on pairing algorithmic sophistication with genuine transparency toward the consumer.

Keywords: AI-Driven Pricing, OTT Platforms, Dynamic Pricing, Consumer Behaviour, Price Fairness, Personalisation, Subscription Economy.

1. Introduction

Pricing on over-the-top (OTT) streaming platforms was, until recently, a relatively simple matter of a published monthly or annual rate card. In contemporary streaming markets, however, pricing has taken on a far more algorithmic and individualised character. Platforms now draw on artificial intelligence (AI) to perform four related pricing functions: personalisation, tailoring the specific offer or discount a given user sees at sign-up; retention, predicting which subscribers are at risk of cancelling and triggering a discount before they churn; regionalisation, setting different prices for identical plans across markets based on local income and competitive conditions; and optimisation, testing which mix of advertising tiers, add-ons, and bundles converts best for a given user segment.

For many subscribers, the price shown at checkout is now the only point at which they directly experience a platform's pricing algorithm, even though they may never see it named as such. In a subscription economy where switching between platforms is comparatively easy, the perceived fairness of that price plays a direct role in whether a consumer subscribes, upgrades, tolerates a price rise, or cancels. Understanding how consumers actually feel about AI-driven pricing is therefore of direct commercial importance to every OTT platform competing for subscriber attention and loyalty.

This study investigates the relationship between AI-driven pricing and consumer subscription behaviour on OTT platforms, combining primary survey data with a review of existing literature and a real-world industry case, to build a practical, evidence-based understanding of how algorithmic pricing shapes subscriber trust and choice.

2. Objectives of the Study

- To examine consumer awareness of AI-driven pricing on OTT platforms, including personalised offers, dynamic pricing, and regional price differences.
- To test whether consumers prefer one fixed price shown to everyone, or an AI-personalised price that could occasionally be lower.
- To identify which pricing-related factors most strongly influence a consumer's decision to subscribe, upgrade, or cancel.
- To evaluate which OTT platforms consumers most associate with AI-driven pricing, and the trust and fairness perceptions that result.

3. Research Methodology

This study adopts a descriptive and exploratory research design, combining primary quantitative data collected through a structured survey with secondary insights drawn from published academic literature and a real-world industry case study.

Table 1: Research Design

Aspect	Description
Research Type	Descriptive and Exploratory
Method	Structured Google Form survey (primary data)
Sample Size	80 total responses; 70 valid after excluding 10 incomplete or test entries
Sampling Technique	Convenience sampling (non-probability)
Target Population	General OTT users aged 15 and above, across occupations
Data Collection Period	July 2026

4. Review of Literature

4.1 Pandey & Rashid Khan (2024)

Pandey and Rashid Khan (2024), writing in the *Academy of Marketing Studies Journal*, examined the factors that drive willingness to subscribe to OTT platforms. Their research found that price reductions and ease of use are strong, consistent drivers of subscription intent, and that cost sensitivity remains the dominant consideration for consumers even as the variety and volume of available content continues to expand.

4.2 Chen et al. (2024)

Chen et al. (2024), in the *Journal of Theoretical and Applied Electronic Commerce Research*, studied how pricing structure affects purchase intent for digital subscription services. Their findings showed that all-inclusive, transparently bundled pricing drives purchase intent more effectively than itemised, à la carte pricing, indicating that perceived fairness and simplicity matter as much as the headline price itself.

Research Gap

Existing literature on OTT pricing is concentrated on willingness-to-pay, bundling format, and general subscription intent, and it rarely tests how consumers react to an algorithm — rather than a published rate card deciding their individual price. This study addresses that gap directly by applying a similar analytical lens to an Indian, multi-platform OTT user sample, and by directly testing whether consumers trust a fixed price over an AI-personalised one.

5. Understanding AI-Driven Pricing: Five Underlying Mechanisms

Before its effect on consumers can be measured, it is useful to set out how AI-driven pricing actually operates behind the checkout screen. Five interconnected mechanisms explain the price a given subscriber sees:

5.1 Personalised Offers

Machine learning models read a user's browsing behaviour and inferred price sensitivity to choose which discount or plan is shown to them at sign-up.

5.2 Churn-Triggered Discounting

Predictive models flag disengagement early and automatically trigger a retention offer before a user actively decides to cancel.

5.3 Regional Price Discrimination

Local income levels, currency conditions, and competitive data are used to set different prices for identical plans across different countries.

5.4 Dynamic Bundling

Algorithms test which mix of advertising tiers, add-ons, and profile allowances converts best for a similar segment of users.

5.5 Fairness Risk and Anchoring

A personalised price is, by definition, not the same for every subscriber a fairness risk that a single, fixed, published price never carries.

6. Survey Findings: Demographic Profile of Respondents

The survey received 80 total responses, of which 70 were valid after excluding 10 incomplete or test submissions. The demographic profile is summarised below.

Table 2: Demographic Profile of Respondents (n = 70)

Variable	Distribution
Age Group	18–24: 50% 25–34: 20% 35–44: 12% 45 & above: 10% Below 18: 8%
Gender	Female: 49% Male: 49% Unspecified: 2%
Occupation	Student: 45% Working Professional: 33% Business Owner: 10% Homemaker: 7% Other: 5%
OTT Usage Frequency	Daily: 41% Weekly: 31% Monthly: 16% Occasionally: 12%

7. Survey Findings: Awareness, Comfort, and Fairness Perception

Respondents rated three statements on a five-point scale (1 = strongly disagree, 5 = strongly agree):

- “I am aware that OTT platforms use algorithms to personalise the price shown to me” 52.9% rated this 4 or 5.
- “I would be comfortable paying a different price than another user for the same plan” 38.6% rated this 4 or 5.
- “It would feel unfair if a friend paid less than me for an identical plan” 61.4% rated this 4 or 5.

The gap between these findings is the central finding of this section: awareness of AI-driven pricing is only moderate, but the fairness concern it raises is strong. Consumers are considerably more troubled by unequal pricing (61.4%) than they are comfortable with the personalisation that produces it (38.6%) a gap of nearly 23 percentage points between discomfort and perceived unfairness.

Table 3: Most Valued Factor in a Subscription Decision

Factor	Share of Respondents
Price Transparency	34.3%
Content Library Size	24.3%
Ad-Free Experience	17.1%
Personalised Recommendations	12.9%
Multi-Profile Sharing	11.4%

On platform association, Netflix was named most often as the platform respondents most associate with AI-driven pricing (24 responses), followed by Amazon Prime Video (17), JioHotstar (14), Disney+ (9), and SonyLIV (6). Further analysis of Netflix's respondents found that 71% named “price changing without notice” as their top frustration with the platform, and that 15 of the 24 respondents who named Netflix also recalled personally receiving a retention discount suggesting that stated platform association aligned with a lived pricing experience, although the small sample size ($n = 24$) limits how far this finding can be generalised.

8. The Pricing Experiment: Fixed Price versus AI-Personalised Price

To directly test the trade-off between price certainty and potential savings, respondents were first asked to choose between Platform A, offering a fixed price of ₹199 per month shown identically to every subscriber, and Platform B, offering an AI-personalised price ranging from ₹149 to ₹249 per month depending on the individual user. The results were: 51.4% chose the fixed price (Platform A), 31.4% said their choice “depends on how the price is decided,” and only 17.1% chose the AI-personalised price (Platform B).

Respondents were then shown two offer screens with no explanation of how either price was generated one plainly stated at “₹199/month” and a second reading “Special price: ₹179/month” and asked which they would trust more. Here, 54.3% trusted the plain, higher-priced screen, 30.0% trusted the discounted “special price” framing, and 15.7% expressed no preference.

The contrast between these two results reinforces the same underlying pattern: even when a personalised or discounted price could plainly save a consumer money, a majority still favour the certainty and transparency of a single, plainly stated fixed price indicating that in OTT pricing, trust in how a price was arrived at outweighs the promise of paying less.

9. Case Study: Netflix's Password-Sharing Crackdown

9.1 Background

From 2023, Netflix rolled out account-sharing detection alongside a new, cheaper ad-supported subscription tier, directly targeting the estimated 100 million households worldwide believed to be sharing accounts outside a single residence roughly 43% of Netflix's global subscriber base at the time.

9.2 Consumer Reaction and Business Impact

The crackdown was met with real, visible consumer frustration, yet its commercial impact was substantial: Netflix added approximately 6 million paid subscribers in the quarter immediately following the wider rollout of the

policy, and its global subscriber base grew from roughly 238 million in early 2023 to more than 300 million by the end of 2024, an increase of approximately 50 million subscribers over the period.

9.3 Key Lesson

The Netflix case demonstrates that an AI-enabled monetisation strategy can succeed commercially even amid visible consumer frustration, provided the underlying value proposition remains strong enough to keep the “cancel reaction” smaller than the resulting revenue gain, and provided a genuinely cheaper tier is available to convert potential churn into retained, paying subscribers.

10. Discussion

The findings of this study are consistent with, and extend, the existing literature reviewed in Section 4. Pandey and Rashid Khan (2024) and Chen et al. (2024) both found that price and perceived fairness are dominant drivers of subscription intent; this study's finding that Price Transparency is the single most valued factor in a subscription decision (34.3%) directly supports this conclusion in an Indian, multi-platform OTT context.

The pricing experiment described in Section 8 provides a further, more direct contribution: when consumers are asked to choose between a fixed price and a cheaper, AI-personalised price, a majority (51.4%) still choose the fixed price. This confirms that in the specific case of algorithmic pricing, transparency is not merely a secondary preference sitting alongside price, but a genuinely independent driver of consumer trust and choice. The Netflix case study in Section 9 illustrates that this consumer wariness does not necessarily prevent commercial success: a well-executed AI-driven pricing and monetisation strategy can still grow both subscribers and revenue even where it provokes real frustration, provided the value exchange remains credible.

Taken together, the survey data, literature, and case study point to the same conclusion: AI-driven pricing functions as a measurable driver of consumer trust and subscription behaviour, on a scale that OTT platforms can no longer treat as a purely technical, back-end decision.

11. The Role of Artificial Intelligence in OTT Pricing

Alongside the consumer psychology discussed above, AI now runs much of the pricing pipeline itself, deciding in real time what a given subscriber is offered, retained with, or charged. This section sets out the main ways AI is currently used in OTT pricing.

11.1 Dynamic and Personalised Pricing

AI models adjust the price or offer shown to each individual user based on their predicted price sensitivity, browsing behaviour, and likelihood to convert.

11.2 Churn Prediction

Predictive models flag at-risk subscribers two to four weeks before they are likely to cancel, allowing a retention discount to be precisely targeted rather than offered as a blanket discount to all users.

11.3 Regional Price Discrimination

AI systems set different prices for identical plans across markets, drawing on local economic conditions, currency, and competitive demand data.

11.4 Fraud and Sharing Detection

Machine learning systems identify account sharing and other invalid activity that erodes the sustainability of a platform's pricing structure, as illustrated by the Netflix case study in Section 9.

11.5 Ad-Tier and Bundle Optimisation

Algorithms match each visitor to the price-and-feature bundle advertising tier, add-ons, and profile allowance most likely to convert them into a paying, retained subscriber.

11.6 A Note of Caution

AI is best understood as a pricing assistant, not a replacement for a platform's responsibility to be transparent with its subscribers. AI can predict what a user will pay and when they are likely to leave, but it cannot manufacture trust once a subscriber feels a price has been decided about them, rather than for them. This study's own findings in Section 7 make the risk concrete: 61.4% of respondents said it would feel unfair if a friend paid less for an identical plan, and only 38.6% said they were comfortable with differential pricing at all. Left unexplained, algorithmic pricing sophistication can therefore work against the very retention goals it is built to serve.

Table 4: Key AI Applications in OTT Pricing

Application	What It Does
Dynamic / Personalised Pricing	Adjusts the price or offer shown to each user based on predicted price sensitivity
Churn Prediction	Flags at-risk subscribers early so a retention discount can be precisely targeted
Regional Price Discrimination	Sets different prices across markets using local economic and demand data
Fraud & Sharing Detection	Identifies account sharing and invalid activity that erodes sustainable pricing
Ad-Tier / Bundle Optimisation	Matches each user to the price-and-feature bundle most likely to convert

Connecting this back to the present study, the survey findings in Sections 7 and 8 show precisely the kind of consumer response awareness, discomfort, and a preference for transparency that these AI pricing systems must now account for, not merely optimise around. In this sense, AI does not change what matters to consumers; it changes how precisely, and how invisibly, a platform can act on price which is exactly why transparency becomes more, not less, important as these systems mature.

12. Recommendations for Businesses

- Communicate the logic behind a personalised price or offer clearly, rather than leaving it unexplained.
- Preserve a visible, simple fixed-price option alongside any AI-personalised offers.
- Avoid designs that let two users easily discover unexplained price gaps between them.
- Pilot new AI pricing models on a small scale before a full rollout.
- Prioritise precisely targeted churn-prediction retention offers over broad, blanket discounts.

- Pair stricter monetisation measures, such as sharing detection, with a genuinely lower-cost tier.
- Use ad-tier and bundle optimisation to keep low-cost tiers commercially sustainable.
- Monitor regulatory scrutiny of algorithmic price discrimination as this area of law develops.

13. Future Scope

- Extending this research to a larger, stratified sample beyond convenience sampling, to improve generalisability.
- Conducting platform-specific studies for instance, focusing solely on Netflix or Amazon Prime Video to obtain sharper, more targeted insights.
- Studying how disclosed versus undisclosed algorithmic pricing affects subscriber trust in a controlled experimental setting.
- Tracking how regulatory developments around algorithmic price discrimination affect OTT platform pricing practices over time.

14. Conclusion

This study set out to examine how AI-driven pricing influences consumer subscription behaviour on OTT platforms, drawing on primary survey data from 70 respondents, a review of existing academic literature, and a real-world industry case study. The findings consistently show that AI-driven pricing deserves the same strategic attention as content and platform design. Price transparency emerged as the single most valued factor in a subscription decision, and a direct experimental comparison confirmed that a majority of consumers trust a plainly stated fixed price over an AI-personalised offer even when the personalised offer could be cheaper. Yet the Netflix case study shows that a well-executed AI-driven monetisation strategy can still deliver substantial subscriber and revenue growth, even amid real consumer frustration. For OTT platforms, the practical implication is clear: long-term success depends on pairing algorithmic sophistication with genuine transparency toward the consumer.

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