

Revenue Maximization and Churn Reduction Through Price Models: Insights from Data-Driven Evidence

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Publication Date: 2025/10/03

Abstract: In this research study, we examined the responses from 212 participants to identify the most effective pricing method to be adopted in order to maximize revenue and minimize churn rate in SaaS companies. The data were collected through a structured questionnaire aimed at understanding user behavior, preferences, and satisfaction levels across various pricing models, including flat-rate subscriptions, pay-per-use, freemium models, and tiered plans. The analysis revealed that user preferences are strongly influenced by pricing flexibility, perceived fairness, and feature accessibility. Among the models assessed, tiered pricing emerged as the most preferred, offering users the ability to align costs with their content needs and budget. While a significant portion of the respondents demonstrated sensitivity to price increases, most were willing to continue their subscriptions when the service provided consistent value and transparency. This study underscores the importance of aligning pricing strategies with consumer expectations to support long-term profitability and customer retention. The findings offer practical insights for digital platforms, such as OTT providers (SaaS companies) and subscription-based services, seeking to design or refine pricing frameworks that balance business objectives with user satisfaction.

Keywords: Pricing Models, Tiered Pricing, Digital Services, Subscription Economy, Revenue Optimization, Customer Retention, Churn Rate.

How to Cite: Guruansh Singh; Swayam Mahajan; Pancham Khullar (2025) Revenue Maximization and Churn Reduction Through Price Models: Insights from Data-Driven Evidence. *International Journal of Innovative Science and Research Technology*, 10(9), 2356-2362. <https://doi.org/10.38124/ijisrt/25sep1277>

I. INTRODUCTION

In the evolving landscape of digital services, pricing strategy has become a crucial determinant of user acquisition, customer retention, and long-term revenue generation. As digital platforms, from content streaming services to cloud-based software and productivity tools continue to scale, understanding how consumers perceive and respond to various pricing models is essential. The market is characterized by subscription-based access, freemium structures, and pay-per-use offerings, each with distinct implications for user behavior and business outcomes.

While companies invest heavily in feature development and content delivery, pricing remains one of the most direct and impactful tools for influencing consumer decisions. User perceptions of fairness, flexibility, and value often dictate whether they remain loyal to a service or migrate to competitors. Moreover, pricing transparency and responsiveness to customer needs are increasingly critical in an environment where switching costs are low and alternatives are readily available.

This study explores user interactions with different pricing models across digital platforms, aiming to understand which structures most effectively align with consumer preferences and support sustainable growth. Data were collected through a structured questionnaire, with responses from 212 participants representing a diverse set of users engaged with various digital services. The survey examined aspects such as payment preferences, duration and frequency of use, satisfaction with features, responses to hypothetical price changes, and perceived value. By analysing these responses, the study seeks to generate evidence-based insights into pricing strategies that balance profitability with user satisfaction, thereby informing best practices for digital businesses across industries.

II. LITERATURE REVIEW

The existing literature on SaaS and digital subscription pricing, such as the works of Saltan & Smolander, Simon-Kucher, and industry reports by Zuora and Stripe, largely adopts a provider-centric viewpoint, emphasizing tiered pricing as a strategy for revenue maximization, customer

segmentation, and market positioning ([11],[2],[3],[16]). While these studies offer strategic frameworks and best practices, they often lack empirical validation from the end-user perspective. They do not engage deeply with how consumers perceive, interact with, or respond to different pricing models. In particular, there is a notable absence of comparative analysis across various models such as flat-rate, freemium, and pay-per-use, which are increasingly relevant in today's digital service ecosystem. Furthermore, emotional and psychological factors influencing user satisfaction and retention, such as convenience, content relevance, and perceived value are frequently overlooked. Sources like Binary Stream, Jay's Tech Bites, and CloudZero provide tactical pricing guidance but rely heavily on anecdotal evidence or industry trends, offering limited insight into actual user preferences or upgrade behavior ([6],[7],[15]). Similarly, churn-related factors such as transparency, pricing fairness, and communication of value are discussed broadly by Revenera, Userpilot, and SubscriptionFlow, yet remain unquantified and lack behavioral grounding ([10],[17],[9]). While studies like Siapno et al. offer theoretical insights into pricing and retention, their reliance on a small, non-representative student sample and lack of empirical rigor highlight the need for comprehensive, user-centric analyses like the present study, which leverages a larger, diverse dataset to deliver actionable SaaS pricing strategies ([12]).

To address these limitations, the present study conducts a user-level empirical analysis based on primary data collected from 212 digital service users. It evaluates the impact of various pricing models on satisfaction, perceived value, and churn propensity, offering a consumer-focused framework that complements existing strategic literature and helps bridge the gap between pricing theory and user behavior in digital markets.

➤ Objectives

- Recommend an optimal pricing model for digital services.
- Maximize revenue through strategic pricing structures.
- Minimize customer churn by aligning pricing with user behavior.
- Understand user preferences across various SaaS pricing models.

- Analyze the impact of feature satisfaction on customer retention.
- Evaluate the effectiveness of tiered pricing in fostering customer loyalty.

III. METHODOLOGY

This study employed a quantitative research design using a structured online questionnaire to assess user preferences, satisfaction levels, and behavioral responses toward various digital pricing models, including flat-rate, freemium, pay-per-use, and tiered plans. The survey, distributed via digital platforms and social media channels, yielded 212 valid responses from users of OTT (SaaS services). The questionnaire gathered the demographic data (e.g., age group, usage frequency, subscription duration) and behavioral insights (e.g., payment preferences, price sensitivity, feature engagement, and satisfaction). Responses were collected using closed-ended questions in multiple-choice and Likert scale formats to ensure consistency. Data analysis involved descriptive statistics (mean, median, mode, and frequency distributions) and cross-tabulations to examine relationships between variables such as pricing preferences and upgrade behavior. Ethical guidelines were strictly followed, with anonymous participation and informed digital consent, and no personally identifiable information was collected.

IV. ANALYSIS AND FINDINGS

➤ Payment Models and Consumer Preferences

The survey responses illustrate a clear consumer inclination toward tiered pricing structures, with 57.1% of participants indicating using plans such as Basic, Premium, or Family. This highlights the value users place on customizability and flexibility, as such plans allow them to align expenditures with usage intensity, household size, or specific content needs. A smaller proportion (17%) preferred a flat, fixed monthly rate, demonstrating a segment of the market that values simplicity and predictability in billing. Meanwhile, 14.6% reported paying per use, a model often seen in platforms offering transactional rentals or pay-per-event access. Only 11.3% of users used free versions, suggesting limited adoption of ad-supported models or limited feature sets.

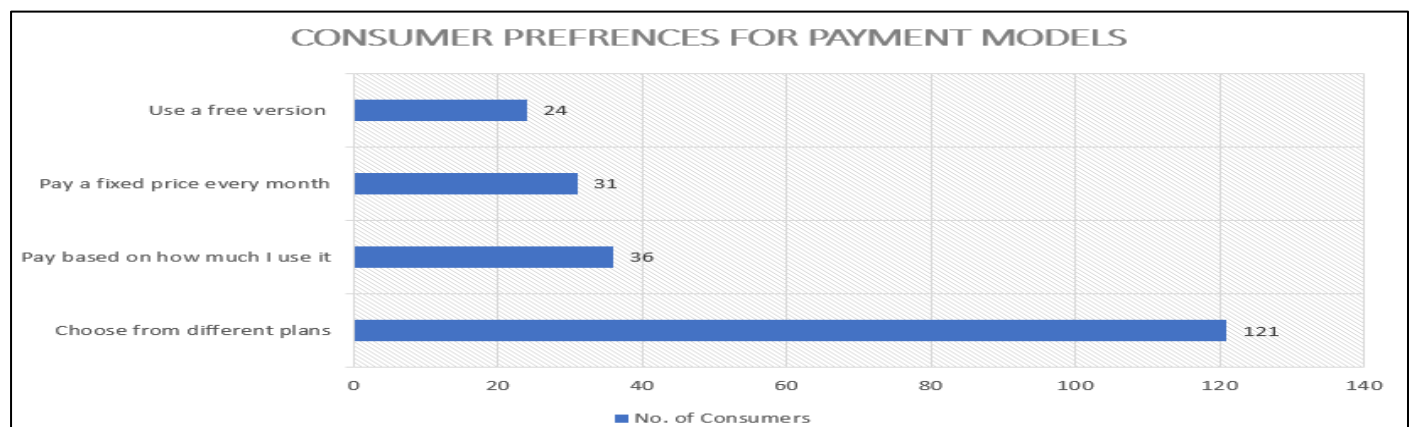


Fig 1 Consumer Preferences for Payment Models

- *Interpretation:*

The data underscore a key behavioral insight: consumers are not solely price-driven; they are value-driven. The willingness to pay is contingent on perceived alignment between the features offered and the user's specific needs. Thus, pricing models that provide granular control or progressive upgrade paths (as seen in tiered plans) tend to be more successful than rigid or one-size-fits-all alternatives.

- *Duration and Frequency of use*

A significant portion of respondents (53.8%) had been subscribers for over two years, while 53.3% used their OTT services daily. These figures reveal the extent to which such platforms have become integrated into users' daily routines and long-term media consumption habits.

- *Interpretation:*

This habitual usage suggests that OTT platforms are no longer peripheral entertainment options but are now central to the digital lifestyle. High-frequency, long-duration use correlates positively with subscription stickiness, indicating that OTT providers are well-positioned to introduce upselling strategies, loyalty programs, or cross-service bundles, especially for this deeply engaged segment.

- *Purpose of use and Feature Engagement*

When asked about their primary reason for using OTT services, 39.2% of users cited personal entertainment, followed by educational or informational content (26.9%), for household or shared access (18.9%) and social/gaming functionalities (15.1%). Notably, 60.9% reported using more than half of the features available in their plans, including downloads, playlists, and multi-device access.

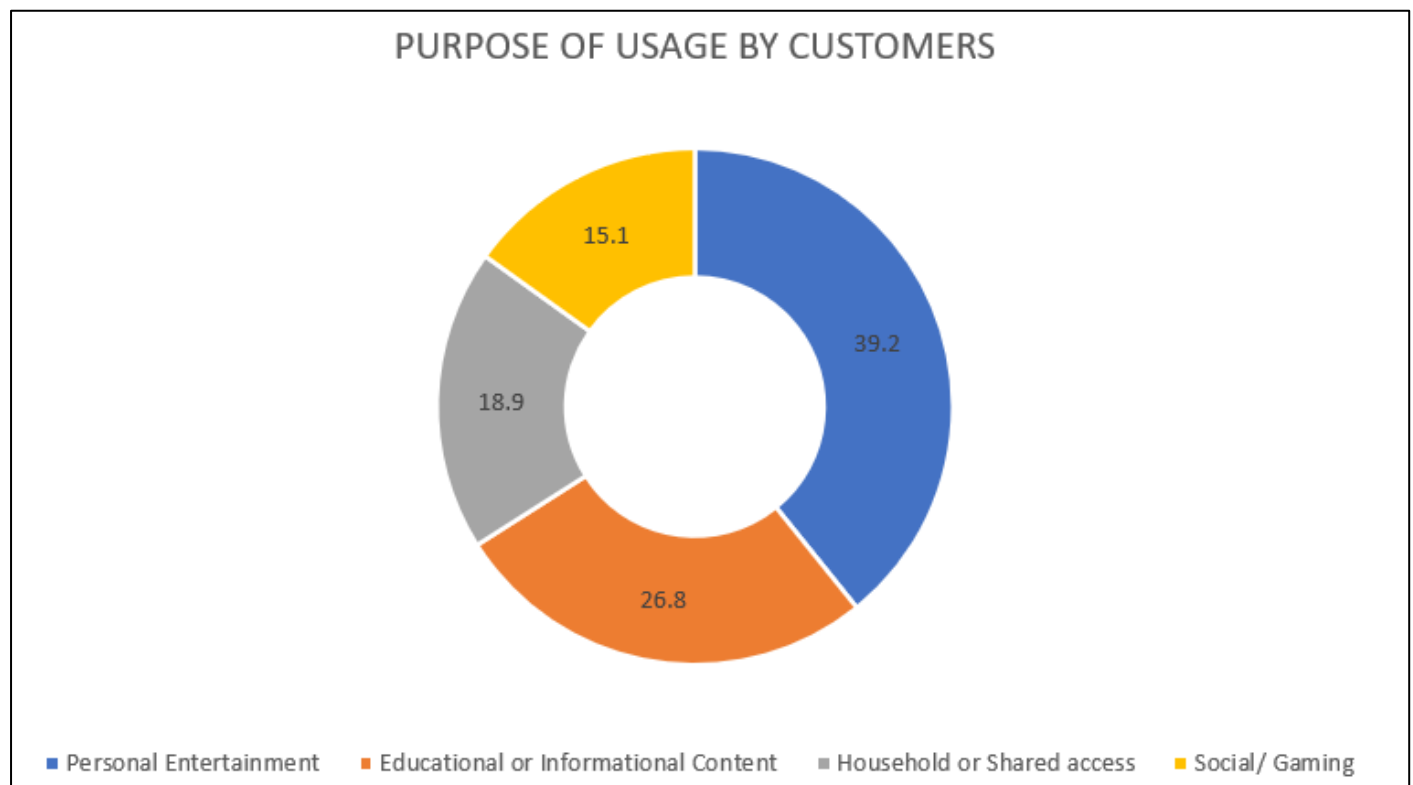


Fig 2 Purpose of usage by Customers

- *Interpretation:*

This reflects a high degree of functional engagement, where users derive value not just from passive viewing but from interactive or advanced features. It also indicates that most users are not underutilizing their subscriptions, which contributes to a positive perception of value. Nonetheless, there remains potential for platforms to improve feature discoverability and onboarding, ensuring lesser-used tools also contribute to perceived service worth.

- *Price Perception and Satisfaction*

Despite only 12.7% of respondents rating their current OTT pricing as "very reasonable," 67.5% were either "satisfied" or "very satisfied" with their subscription. This apparent paradox points to a complex relationship between cost sensitivity and content satisfaction.

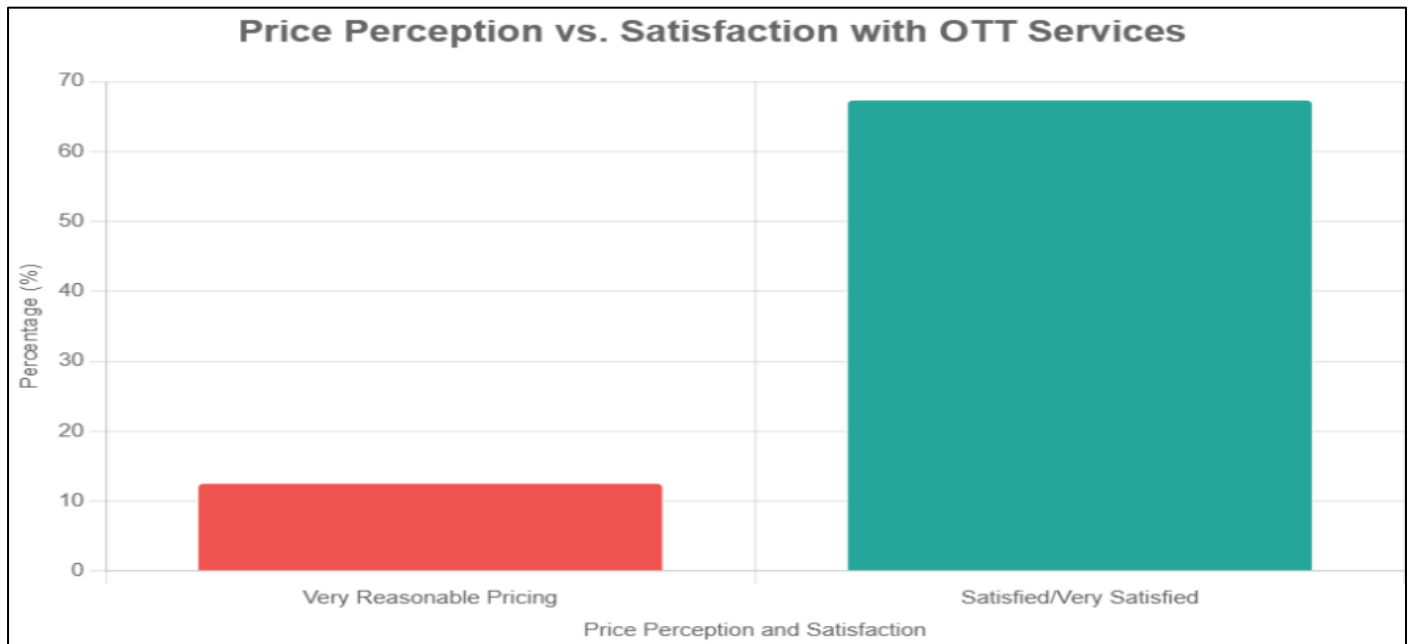


Fig 3 Price Perception vs. Satisfaction with OTT Services

• *Interpretation:*

Users may not view pricing as ideal, yet they continue their subscriptions due to perceived non-monetary value—such as convenience, variety of content, or emotional gratification. This reinforces the notion that price elasticity is nuanced: users are more tolerant of cost when services consistently deliver a rich, reliable experience.

➤ *Reactions to Feature Restrictions*

When presented with the scenario of a desired feature being available only in a higher plan, just 16.5% of users said they would upgrade. 55.2% preferred to stay on their current plan, while others considered switching or cancelling altogether.

• *Interpretation:*

The reluctance to upgrade underscores the need for careful packaging and positioning of premium features. Users must perceive these upgrades as essential enhancements, not optional extras. Providers should thus employ value communication strategies and limited-time trials to demonstrate the tangible benefits of upgrading.

➤ *Sensitivity to Price Increases*

When asked about a hypothetical 10% price increase, 43.4% of respondents indicated they would continue using the service, another 19.8% would look for a cheaper plan, while nearly 17.9% said they would cancel their subscription and 18.9% would explore the alternatives.

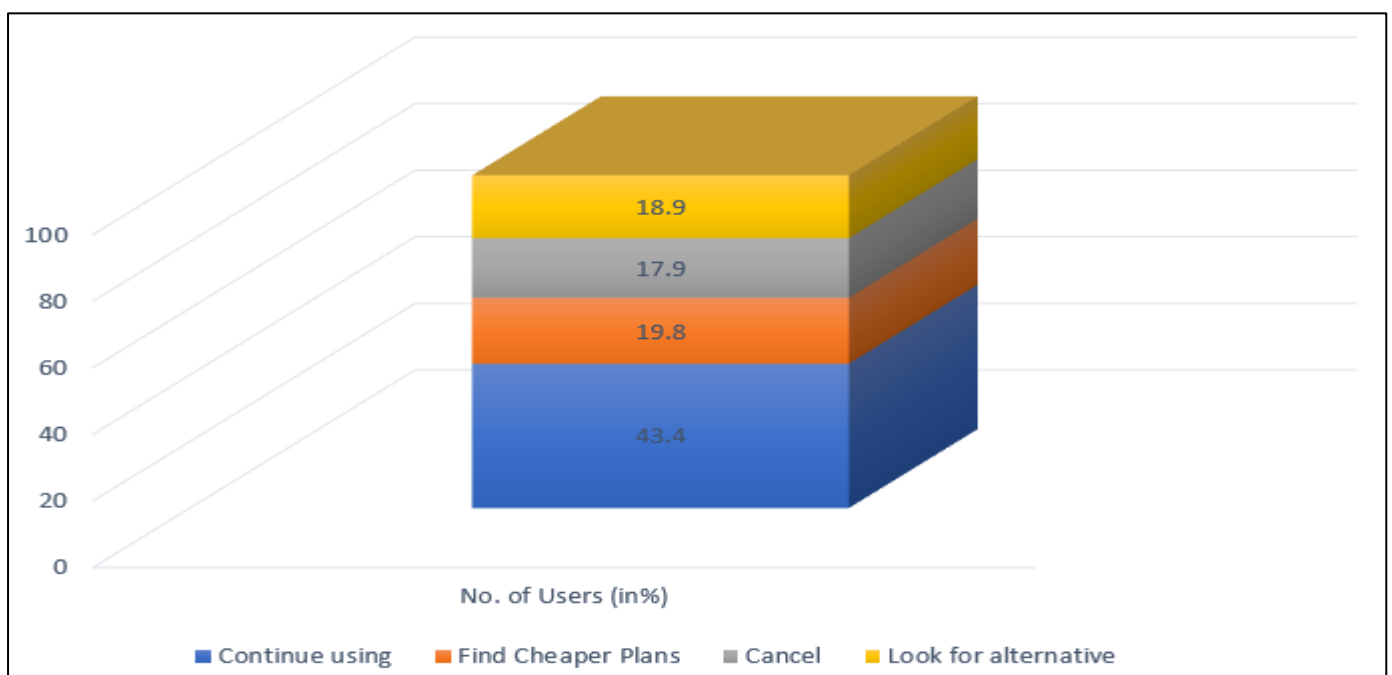


Fig 4 Reaction of Respondents to 10% Price Increase

• *Interpretation:*

This reflects a significant degree of price sensitivity, particularly in markets where alternatives are readily available. It also suggests that OTT providers must justify price changes with transparent communication and visible service improvements to avoid user attrition. Price increases, when inevitable, should be accompanied by added value, bundled content, or new features to mitigate churn.

➤ *Preferred Pricing Style*

When evaluating pricing formats, 59.9% of respondents favored tiered plans, reinforcing the dominance of this model. Comparatively fewer preferred pay-per-use (17.5%) or flat-rate pricing (14.2%). Additionally, 58% rated tiered pricing as the highest-value model.

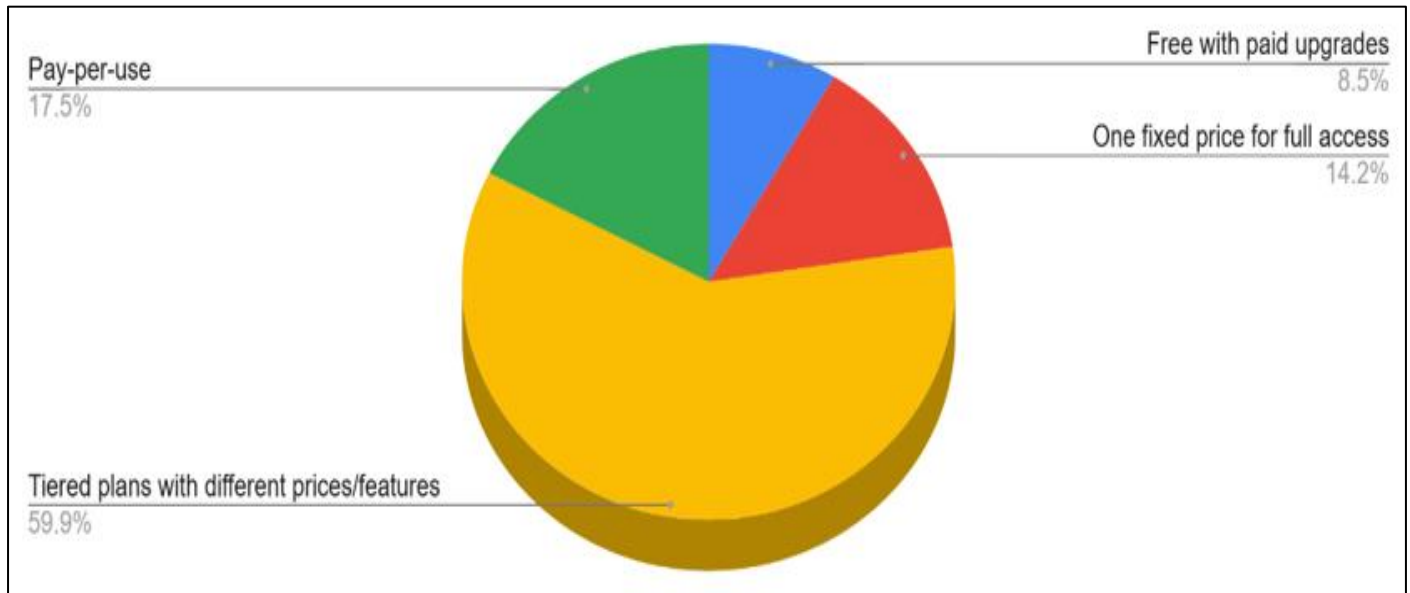


Fig 5 Preferred Pricing Style of Respondents

• *Interpretation:*

Consumers today expect choice and control in how they access and pay for content. However, they also expect clear differentiation between tiers. Plans must be designed such that each step up feels justifiable and rewarding, with added features that resonate with distinct user needs and behaviors.

➤ *Transparency and Retention Factors*

A significant 50.9% of users rated pricing transparency as very important, and 40.1% admitted to considering cancellation due to price concerns. Despite this, many chose to stay—primarily due to content quality (44.8%), habitual use (15.6%), and affordability (14.6%).

• *Interpretation:*

Trust and consistency are central to retention. While price remains a factor, users often stay when platforms deliver predictable quality, maintain transparent communication, and nurture emotional loyalty. Providers should therefore focus on building long-term value rather than relying on short-term promotional tactics.

V. CONCLUSION

This study investigated user preferences across various digital pricing models to identify strategies that balance revenue generation with customer retention. Based on responses from 212 participants, tiered pricing emerged as the most favored model, offering users the flexibility to choose plans that align with their individual needs and budgets.

While some users expressed concern over potential price increases, many indicated a willingness to maintain subscriptions when services provided consistent value, transparency, and quality. This finding underscores that customer loyalty is influenced not only by cost but also by user experience, perceived fairness, and emotional satisfaction. The study also revealed a general reluctance to upgrade solely to access restricted features, emphasizing the importance of communicating the value of premium offerings effectively. Additionally, over half of the respondents identified pricing transparency as a key factor in their decision to remain subscribed. Overall, the research suggests that pricing strategies grounded in user-centric principles—such as flexibility, clarity, and perceived value—are more likely to foster customer satisfaction and long-term engagement. Digital service providers that align pricing approaches with user expectations may be better positioned to sustain growth and competitive advantage in an increasingly dynamic market environment.

VI. IMPLICATIONS

➤ *Adopt Tiered Pricing Structures*

Digital service providers are strongly encouraged to implement or refine tiered pricing models that cater to varying user segments based on usage patterns, feature requirements, and affordability. The study findings show that a majority of users (59.9%) prefer tiered plans, suggesting that flexibility and choice play a crucial role in driving customer satisfaction and minimizing churn. By offering

distinct pricing tiers—such as Basic, Standard, and Premium—platforms can appeal to diverse user groups, from occasional users to power users, thereby increasing customer lifetime value and improving overall retention. Additionally, tiered pricing allows for smoother onboarding, as users can begin with a lower-tier plan and gradually move up as their needs grow.

➤ *Enhance Value Communication for Upgrades*

The study revealed that only a small percentage of users were willing to upgrade when a feature was locked behind a higher-tier plan, highlighting a clear gap in perceived value communication. To address this, platforms should strategically showcase the advantages of premium tiers using in-app notifications, personalized upgrade suggestions, or time-limited feature trials. Visual comparisons between plans, real-world use cases, and testimonials can help users better understand the added value of upgrading. The goal should be to make the benefit of switching to a higher plan both visible and compelling, thereby increasing conversion without relying on hard sells.

➤ *Ensure Pricing Transparency*

Over 50% of respondents indicated that pricing transparency is a top priority in their decision to continue using a service. Hidden fees, unexpected charges, or vague plan descriptions can erode trust and prompt cancellations. To maintain user confidence, platforms should present their pricing structures in a clear, user-friendly format, ensure consistency across billing cycles, and proactively notify users of any changes. Detailed breakdowns of what is included in each plan, renewal terms, and cancellation policies should be easily accessible. Transparent communication not only reduces friction but also helps strengthen brand loyalty in competitive markets.

➤ *Bundle Features Strategically*

The study found that a large portion of users (60.9%) actively use more than half of the features available in their plans, indicating high feature engagement. To capitalize on this, digital platforms should consider bundling frequently used or complementary features into well-curated plans. For example, a family entertainment plan could include multi-device streaming, parental controls, and offline access. Similarly, bundling educational content or productivity tools with entertainment packages could appeal to working professionals or students. This approach not only enhances perceived value but also reduces the likelihood of churn by increasing dependency on the service.

➤ *Monitor and Respond to Price Sensitivity*

Nearly 43.4% of participants stated they would explore alternatives if prices were increased by 10%, while 20% would consider cancelling their subscription entirely. This level of price sensitivity calls for a carefully managed approach to any future price changes. If price hikes are unavoidable, they should be accompanied by tangible service improvements, additional features, or exclusive content that justify the added cost. Platforms can also conduct regular feedback surveys or A/B tests (where two versions of a variable (e.g., pricing or features) are compared by presenting

them to different user groups to measure performance based on metrics like retention or satisfaction) to monitor user sentiment and determine optimal pricing thresholds. Dynamic pricing models based on user behavior and engagement levels may also help balance profitability with user satisfaction.

➤ *Leverage user Habits to Strengthen Retention*

The findings show that over half of the respondents have been using digital services for more than two years and engage with them on a near-daily basis. This habitual usage provides a strong foundation for retention strategies. Platforms should build on this by implementing loyalty programs, milestone rewards, or exclusive early-access features that acknowledge long-term users. Personalized recommendations based on user history, birthday offers, or gamified achievements can deepen emotional engagement. These efforts contribute to a more satisfying user experience and foster a sense of belonging, making customers less likely to switch to competitors.

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