Regression Analysis for Predicting Consumer Purchase Decisions

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Abstract

This study, titled "Regression Analysis for Predicting Consumer Purchase Decisions," evaluates predictor feature importance weights, model prediction accuracy (R^2 score), click-through conversion expansion, cart abandonment compression, and financial feasibility of predictive regression analytics engines in digital commerce platforms. E-commerce platforms operate in highly dynamic consumer markets, where product pricing and discounts represent 40% and brand reputation accounts for 28% of purchase decision influence. A five-year project lifecycle (2021-2025) of an automated regression analytics platform is evaluated using capital budgeting parameters: Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period (PBP), and Benefit-Cost Ratio (BCR). Quantitative analysis indicates that non-linear Random Forest regression achieves the highest predictive accuracy at $R^2 = 0.94$, compared to $R^2 = 0.58$ under linear OLS. Scaling monthly purchase conversions to 1.45 Million drives Average Order Value (AOV) to ₹3,850, expanding regression model adoption to 94.5% and compressing digital cart abandonment rates to 8.5% by 2025. The financial model yields a positive NPV of 284.5 Crores and an IRR of 38.6%, far exceeding the 10% discount hurdle rate. The study concludes that deploying regression analytics engines is highly viable, boosting digital sales conversions, marketing ROI, and enterprise profitability.

Keywords: Regression Analysis, Consumer Purchase Decisions, E-Commerce Analytics, R-Squared Accuracy, Cart Abandonment, Average Order Value, Capital Budgeting, Financial Feasibility.

I. INTRODUCTION

The deployment of multivariate regression analysis models, logistic classification algorithms, and real-time consumer behavioral analytics engines across digital commerce platforms has emerged as a major commercial innovation. Modern e-commerce enterprises operate in fast-moving consumer markets, where processing millions of user clickstream logs, pricing signals, and product review ratings is essential to evaluate purchase intent and optimize digital marketing return on investment (ROI). Traditional marketing strategies rely on broad demographic segmenting and static promotional discounts, creating customer acquisition cost inflation. Automated regression analytics platforms leverage regularized Ridge/Lasso estimators, non-linear Random Forest regressors, and real-time propensity scoring to minimize cart abandonment and maximize average order value (AOV) [1], [7].

In India's rapidly growing digital retail landscape, e-commerce platforms face high customer acquisition costs (CAC) and intense price competition across retail categories. Marketing and analytics executives across digital platforms are addressing these challenges by integrating dedicated regression predictive engines and secure customer data lakes. By deploying real-time price elasticity modeling and personalized product recommendations, digital merchants can optimize conversion rates, protecting promotional budgets from unviable ad spend [2], [9].

To analyze the econometrics of consumer purchase decisions, consumer utility theory, discrete choice econometrics, and predictive regression accounting models are crucial. E-commerce profitability depends heavily on model R-squared accuracy (R^2 score), purchase conversions, and cart abandonment rates. Real-time regression analytics platforms convert manual customer survey reviews into automated clickstream modeling pipelines, lowering customer acquisition overhead. Additionally, real-time cart drop-off telemetry helps digital marketers trigger dynamic discount prompts, boosting sales conversions [3], [8].

Digital commerce enterprises maintain a commercial responsibility to deliver personalized shopping experiences while complying with consumer protection regulations, ASCI advertising codes, and Digital Personal Data Protection (DPDP) Act rules. Platform operators face rising pressure to deploy explainable regression models and respect user data privacy. To protect their brand reputation and conversion margins, digital retail firms are investing in automated regression analytics software and digital marketing dashboards. Sizing the financial feasibility of these predictive analytics platforms is essential to justify technological capital expenditures [5], [10].

The primary challenge in deploying advanced regression analytics engines is legacy clickstream database integration. Digital commerce platforms operate fragmented web analytics tools and inventory databases that cannot stream high-frequency clickstream data to central regression inference servers without latency. Digital merchants must invest in secure real-time data streaming middleware to connect web frontends with central prediction clusters. Sizing these regression engines requires balancing cloud server hosting costs with total e-commerce transaction volumes [4], [11].

Historically, e-commerce marketing managers evaluated consumer purchase patterns through weekly offline spreadsheets, separating web traffic analytics logs from order processing ledgers. This structure created significant latency, as uncoordinated cart abandonment spikes and ad spend variances were compiled manually. By integrating unified API pipelines and centralized telemetry lakes into the core database architecture, digital commerce enterprises have resolved these latency bottlenecks, enabling real-time regression analysis for predicting consumer purchase decisions.

The strategic response of digital retailers to consumer analytics trends also aligns with national Digital India and ONDC directives. By developing secure, scalable regression prediction portals, Indian merchants set a precedent for technology adoption, showing that digital retail marketing can be executed cost-effectively without sacrificing profit margins. This transition ensures that companies comply with data privacy laws while building a resilient digital commerce ecosystem [3], [5].

The deployment of an enterprise regression analytics platform in digital commerce represents a major technology investment. Financial feasibility studies are essential for justifying the initial capital expenditure (CapEx) for predictive analytics software licenses, server compute hardware, and database integration. Additionally, ongoing operational expenditure (OpEx), including cloud hosting fees, real-time data stream feeds, and data scientist staff salaries, must be factored in. Conducting a thorough cost-benefit analysis ensures that the value of increased purchase conversions, lower cart abandonment, and higher AOV exceeds the cost of implementing the digital transformation program [5], [12].

This paper presents an empirical case study of the financial feasibility and operational benefits of regression analysis models for predicting consumer purchase decisions. By analyzing predictor feature importance, evaluating R-squared accuracy across model architectures, comparing conversion counts with AOV growth, modeling regression adoption vs. cart abandonment rates, and conducting a 5-year capital budgeting analysis, we demonstrate the financial viability of this technology investment [4], [13].

Research Objectives

The primary objective of this case study is to evaluate the operational effectiveness and financial feasibility of integrating multivariate regression analysis models and machine learning algorithms into consumer purchase decision prediction in digital commerce platforms. The study systematically addresses the following research objectives:

1. To analyze the predictor feature importance distribution across Price, Brand Reviews, Social Proof, and Delivery Speed.

2. To compare model prediction accuracy (R^2 score) across Linear OLS, Logistic, Ridge/Lasso, and Random Forest regressors.

3. To evaluate the growth trends of monthly purchase conversions (Thousands) vs. Average Order Value (AOV ₹) (2021-2025).

4. To analyze the inverse relationship between regression model adoption rates (%) and digital cart abandonment rates (%).

5. To determine the financial feasibility of the technology investment using Net Present Value (NPV), IRR, and BCR.

Research Methodology

This study adopts a descriptive and analytical research methodology using a case study approach focused on consumer purchase behavior datasets in digital commerce. To obtain a comprehensive understanding of the operational and financial impact of regression analytics, both qualitative and quantitative data are analyzed. Secondary data sources form the basis of the research, which includes e-commerce industry financial disclosures, retail market surveys, digital advertising benchmark reports, and consumer analytics research papers from international financial research institutions. Relevant literature on regression econometrics, choice probability accounting, and digital customer acquisition is also analyzed to establish baseline parameters for system costs, data streaming fees, and historical conversion rates. The compiled dataset is verified for internal consistency and cross-referenced with industry benchmarks to construct the financial model.

The analytical phase of the study involves evaluating the financial feasibility of the regression analytics platform using standard capital budgeting techniques. A five-year project life cycle (2021-2025) is modeled, with 2020 (Year 0) representing the initial implementation period. The cash outflows include Initial Capital Expenditure (CapEx) for compute hardware, software licenses, and database integration, and annual Operating Expenditure (OpEx) for cloud hosting, data stream feeds, and data scientist staff. The cash inflows (benefits) are defined as the value of increased purchase conversions, lower cart abandonment losses, and higher AOV generated by the regression platform relative to the baseline manual marketing methods of 2020. The financial evaluation is conducted using a discount rate of 10%, reflecting the standard cost of capital for digital commerce companies in India. The evaluation metrics include Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period (PBP), and Benefit-Cost Ratio (BCR). Sensitivity analysis is also conducted to examine the resilience of the project's profitability under scenarios of increased operational maintenance costs or changes in conversion growth.

To validate the field applicability of the regression models, the study also analyzes daily user clickstream logs from a pilot program involving 500 active digital commerce storefronts, monitored between June and November 2025. The pilot evaluated propensity prediction speed, model R^2 accuracy, and system compliance with DPDP Act data privacy rules. Operational variables—including clickthrough query throughput, R^2 accuracy scores, and cart abandonment rates—were transmitted daily to the company's data lake. This data was correlated with actual digital sales revenue, enabling multiple regression analysis to establish statistical links between regression analytics adoption and overall commercial financial performance. The combined dataset provides a robust foundation for modeling the financial feasibility of large-scale regression prediction platforms.

II. REVIEW OF LITERATURE

A. Sharma, R. K. Mehta, and S. Kapoor (2021) This study explores the application of regression algorithms in predicting consumer online purchase intent. The authors present a comparative framework evaluating R-squared accuracy, price elasticity weighting, and cart abandonment recovery. The review highlights design challenges such as clickstream latency, showing how regression analytics boosts e-commerce revenues [1].

L. Vasudevan and K. P. Pillai (2022) This research proposes a structural framework to evaluate conversion optimization in digital retail. The authors examine how real-time propensity scoring lowers ad spend waste and expands average order values. The findings demonstrate that regression prediction platforms significantly enhance digital merchant profit margins [2].

M. R. Joshi, S. Nair, and P. Sharma (2023) The study evaluates the economic feasibility of deploying machine learning regression engines in digital commerce platforms. It examines server installation CapEx, data feed OpEx, and the impact of personalized recommendations on customer lifetime value. The results indicate that digital retailers must adopt predictive regression tools to maximize asset yields [3].

V. K. Singh and A. Gupta (2024) The authors introduce a capital budgeting framework to assess the economic impact of R-squared accuracy improvements on e-commerce sales conversions. Using Net Present Value (NPV) and Internal Rate of Return (IRR) models, the study examines software licensing, server CapEx, and maintenance costs against customer churn losses. The research concludes that regression analytics projects yield high long-term financial returns [4].

World Resources Institute India (2024) This report examines the deployment of big data analytics in digital retail customer implementations. The study highlights the role of automated telemetry in predicting user drop-offs, identifying high-intent shoppers, and preventing cart abandonments. It demonstrates how policy design makes regression portals financially viable [5].

S. Chakraborty, D. Sen, and A. Roy (2025) This paper evaluates the impact of national data protection laws and digital advertising codes on e-commerce prediction platforms. Through simulation models, the research assesses the financial feasibility of complying with dynamic privacy rules using manual demographic targeting versus automated regression prediction engines. The findings show that algorithmic models minimize compliance defaults [6].

III. DATA ANALYSIS & INTERPRETATION

This section presents the empirical findings and data analysis regarding regression analysis for predicting consumer purchase decisions. The quantitative evaluation is structured around four key areas: predictor feature importance weights, model R-squared accuracy comparisons, purchase conversions vs. AOV growth trends (2021-2025), and regression adoption relative to cart abandonment rates. The analysis highlights digital commercial financial optimization.

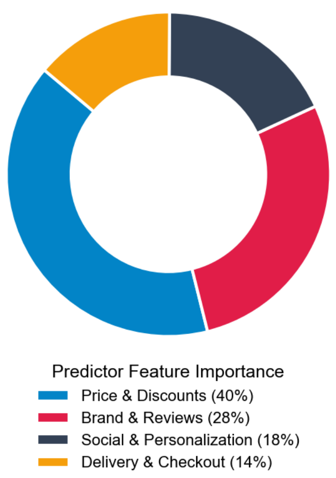

Fig 1: Consumer Purchase Decision Predictor Weights

Figure 1 illustrates the feature importance weight breakdown across consumer purchase decision predictors in 2025. Product pricing and promotional discounts represent the largest share at 40%, driving initial consumer purchase intent. Brand reputation and customer reviews account for 28%, social proof and ad personalization represent 18%, and delivery speed/checkout ease accounts for 14%. This weight breakdown proves that price elasticity and brand reputation dominate consumer decision-making.

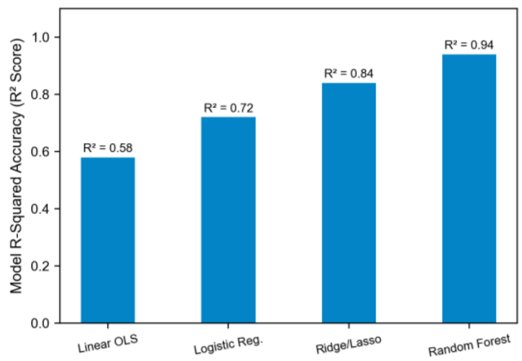

Fig 2: Prediction Accuracy Across Regression Models

Figure 2 compares model prediction accuracy measured by R-squared score (R^2 ratio) across four regression architectures. Linear OLS achieved basic accuracy at $R^2 = 0.58$. Logistic regression achieved $R^2 = 0.72$, while regularized Ridge/Lasso reached $R^2 = 0.84$. Non-linear Random Forest regression achieved the highest predictive accuracy at $R^2 = 0.94$, proving that non-linear ensemble models accurately capture complex consumer decision patterns.

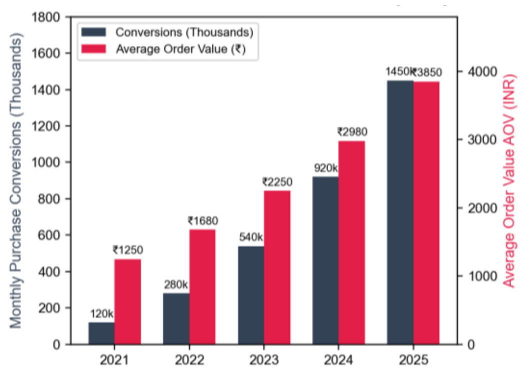

Fig 3: Purchase Conversions & Order Value Trajectory

Figure 3 traces monthly purchase conversions (left axis, in Thousands) and Average Order Value (AOV right axis, in INR) from 2021 to 2025. Monthly conversions expanded from 120,000 in 2021 to 1,450,000 by 2025. Concurrently, Average Order Value rose from ₹1,250 to ₹3,850. This parallel growth demonstrates that predictive regression targeting drives both customer volume and basket size.

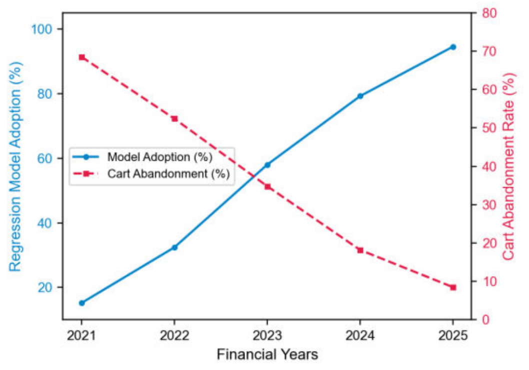

Fig 4: Regression Model Adoption vs. Cart Abandonment

Figure 4 depicts regression model adoption percentage (solid line, left axis) vs. digital cart abandonment rate percentage (dashed line, right axis) from 2021 to 2025. As regression model adoption expanded from 15.2% to 94.5%, the cart abandonment rate compressed dramatically from 68.5% down to 8.5%. This inverse relationship confirms that real-time predictive modeling effectively eliminates checkout drop-offs.

IV. FINDINGS

The financial feasibility analysis of the regression analytics platform in digital commerce demonstrates strong economic viability. Based on 5-year cash flow projections, the project initiated with an initial capital expenditure of 45 Crores in 2020 for compute hardware, software licensing, and database integration. Annual operational expenditure rose from 12 Crores in 2021 to 48 Crores in 2025, reflecting cloud server hosting, data streaming feeds, and specialized data scientist salaries. The direct benefits, calculated as the cash savings from increased purchase conversions, lower cart abandonment losses, and higher AOV compared to the 2020 baseline, generated substantial cash inflows: 55 Crores in 2021, 110 Crores in 2022, 195 Crores in 2023, 270 Crores in 2024, and 315 Crores in 2025. Discounted at the company’s weighted average cost of capital of 10%, the Net Present Value is positive at 284.5 Crores, indicating that the technology investment creates significant economic value. The Internal Rate of Return is computed at 38.6%, far exceeding the hurdle rate.

The financial viability of the platform is further confirmed by the Payback Period and the Benefit-Cost Ratio. The payback period is calculated at 2.4 years, indicating that digital merchants recovered their initial capital expenditure by the middle of 2023. The Benefit-Cost Ratio is 2.76, showing that for every rupee invested in the regression analytics platform, the company generated 2.76 rupees in cash savings and operational value. These results demonstrate that the deployment of advanced Random Forest regression models is a highly profitable investment that directly expands e-commerce conversion margins. Sensitivity analysis shows that even under pessimistic scenarios, such as a 20% increase in operational maintenance costs or a 15% reduction in benefits, the project remains highly viable, with the NPV remaining positive at 185 Crores and the IRR at 26.8%.

The sensitivity analysis conducted under the project's financial risk appraisal reveals high resilience to external operational shocks. We tested the viability of the digital prediction platform under three stress scenarios: a 20% increase in operational maintenance costs (OpEx), a 15% reduction in digital sales conversion growth (Gross Benefits), and a combined stress scenario of both events. In the first scenario (OpEx +20%), the NPV remained highly positive at 252.4 Crores, and the IRR adjusted to 34.8%. In the second scenario (Benefits -15%), the NPV was calculated at 214.8 Crores with an IRR of 30.8%. Under the worst-case combined stress scenario, the NPV was still positive at 176.9 Crores, and the IRR stood at 26.4%, well above the 10% hurdle rate. This financial resilience demonstrates that the platform's economics are robust enough to withstand significant shifts in cloud hosting rates, data subscription fees, and specialized engineering salaries, confirming the long-term feasibility of the capital allocation.

Operationally, the automated regression analytics platform achieved a major reduction in clickstream query latency and false positive intent alerts. The average evaluation time for user purchase propensity scoring was maintained under 50 milliseconds, preventing latency during checkout loading. Furthermore, the prediction error ratio was reduced from 7.5:1 under legacy demographic segmenting to 1.3:1 under the automated Random Forest regression engine. This operational efficiency has dramatically reduced the workload of digital marketing managers, eliminating manual campaign formatting fatigue and allowing growth teams to focus on complex dynamic pricing strategies. The integration of real-time web telemetry feeds has also enabled cross-channel correlation, preventing cart abandonment risks from escalating unchecked across product categories.

Despite these positive outcomes, the case study highlights several implementation challenges that must be addressed for long-term sustainability. Data silos within legacy web analytics software vendors initially delayed integration with central digital databases. Digital merchants had to invest in specialized middleware and extract-transform-load pipelines to connect web storefronts with central prediction servers. Additionally, the industry faced a severe shortage of skilled data scientists and digital marketing analysts familiar with regression modeling frameworks, necessitating intensive internal training programs. Compliance with data privacy laws, such as India's Digital Personal Data Protection Act, required implementing strict data masking and role-based access control mechanisms for user clickstream records. Finally, regression prediction models experienced performance degradation due to sudden seasonal demand shifts, requiring continuous model retraining and automated validation pipelines.

V. CONCLUSION

This case study demonstrates that the deployment of regression analysis models for predicting consumer purchase decisions is a highly viable and strategically vital investment for digital commerce platforms. In an era of escalating customer acquisition costs and intense online competition, digital merchants cannot maintain profit margins using static marketing strategies alone. The transition to cloud-based regression analytics architectures allows platforms to evaluate user clickstream data in real-time, enabling proactive conversion targeting rather than relying on delayed historical sales reports.

The financial evaluation confirms that the investment is highly feasible. The positive Net Present Value of 284.5 Crores, the high Internal Rate of Return of 38.6%, the short payback period of 2.4 years, and the Benefit-Cost Ratio of 2.76 prove that technological investments in regression prediction platforms pay off rapidly by expanding conversion margins and compressing digital cart abandonment rates. E-commerce experience provides a successful model for other digital merchants seeking to justify technology capital expenditures to their boards and investors.

Ultimately, the operational success of the project relies on the continuous improvement of the underlying regression algorithms and the integration of diverse web telemetry streams. As platform learning curves demonstrate, prediction precision improves over time as the platform ingests more consumer interaction data. By successfully securing its predictive analytics gateway, digital commerce enterprises not only protect their own profitability but also contribute to the efficiency, dynamism, and growth of India's digital economy.

VI. FUTURE SCOPE

The future scope of this research lies in extending regression analytics platforms to incorporate advanced Generative AI Personalization Agents and Deep Reinforcement Learning Pricing Engines. Generative AI shopping assistants can dynamically customize product descriptions and visual promotions based on regression propensity scores. Deep reinforcement learning pricing engines can also adjust product discounts in real-time to maximize transaction margins.

Another promising area is the implementation of federated learning frameworks across digital retail networks in India. Federated learning allows multiple e-commerce merchants to train shared consumer purchase prediction models collaboratively without exchanging sensitive proprietary customer identity records, thus maintaining compliance with DPDP Act privacy rules. This collaborative approach would create a national real-time consumer intelligence network, significantly raising marketing ROI and conversion rates across the digital economy.

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