

The Price You See Is Not the Price You Pay: Price Anchoring in India's FMCG Sector and Its Macroeconomic Implications

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Step By Step By School

DOI: 10.46609/IJSSER.2026.v11i07.043 URL: <https://doi.org/10.46609/IJSSER.2026.v11i07.043>

Received: 5 July 2026 / Accepted: 23 July 2026 / Published: 31 July 2026

ABSTRACT

Price anchoring—the cognitive tendency to rely disproportionately on the first price encountered when evaluating value—has become one of the most pervasive pricing strategies in India's Fast-Moving Consumer Goods (FMCG) sector. Drawing on the foundational research of Tversky and Kahneman (1974), this paper examines how anchoring operates across the Indian FMCG market, analyses its effects on consumer behaviour, and situates it within a macroeconomic framework. Using Hindustan Unilever Limited (HUL) as a primary case study—drawing on financial data from FY2022 to FY2024—the paper demonstrates that price anchoring significantly influences purchase decisions and aggregate consumer spending, but is ultimately bounded by real economic constraints including purchasing power and inflationary pressure. The paper further argues that when deployed simultaneously by major FMCG firms, anchoring strategies have measurable macroeconomic consequences, affecting private consumption expenditure, inflation measurement through the Consumer Price Index (CPI), and the broader trajectory of economic growth. The findings suggest that while price anchoring is a powerful tool for demand stimulation, its long-term sustainability depends on the maintenance of consumer trust and the ethical use of reference prices.

Keywords: price anchoring, anchoring effect, FMCG, consumer behaviour, behavioural economics, national income, inflation, Hindustan Unilever Limited, India

1. Introduction

In today's highly competitive Fast-Moving Consumer Goods (FMCG) sector, companies employ a variety of pricing strategies to influence consumer purchasing decisions. Among the most significant is price anchoring—a concept derived from behavioural economics—whereby consumers rely heavily on the first price they encounter, known as the “anchor,” when forming

judgments about a product's value. This initial price shapes their perception of whether a product is expensive, affordable, or discounted, often independently of the product's actual worth.

The FMCG sector provides an ideal setting in which to examine this phenomenon. Consumers make frequent, low-involvement purchase decisions across categories including food, beverages, personal care, and household goods—precisely the conditions under which cognitive biases are most powerful and most exploitable. Manufacturers and retailers routinely display original prices alongside discounted prices, bundle multiple products at reduced rates, or position premium alternatives alongside standard ones, all in deliberate efforts to manipulate consumer reference points.

What distinguishes this paper from narrower treatments of the subject is its dual focus: price anchoring is examined both as a microeconomic, firm-level strategy and as a phenomenon with measurable macroeconomic consequences. When anchoring is deployed simultaneously by hundreds of FMCG firms across millions of daily transactions, the aggregate effect on private consumption expenditure—and therefore on national income, inflation, and economic growth—becomes a matter of macroeconomic significance. India is a particularly relevant context for this analysis: the country's FMCG sector is the fourth-largest in the world, private consumption accounts for approximately 55–60% of GDP, and the market is dominated by a small number of large firms whose pricing strategies effectively shape the consumption environment for nearly the entire population.

This paper proceeds as follows. Section 2 reviews the relevant literature on the anchoring effect and its applications in consumer economics. Section 3 outlines the methodology. Section 4 develops the theoretical framework, including a typology of anchoring forms. Section 5 analyses the causes and consequences of price anchoring in the FMCG context. Section 6 presents the HUL case study with financial data from FY2022–FY2024. Section 7 examines the macroeconomic implications. Section 8 discusses the findings, and Section 9 concludes.

2. Literature Review

The foundational theory of anchoring was established by Tversky and Kahneman (1974) in their seminal paper *Judgment under Uncertainty: Heuristics and Biases*, published in *Science*. They demonstrated that when individuals are required to make quantitative estimates, their judgments are systematically influenced by an initial value—the anchor—even when that value is arbitrary or irrelevant. In one famous experiment, participants were asked to estimate the percentage of African countries in the United Nations after watching a wheel of fortune stop at either 10 or 65. Those who saw the higher number gave substantially higher estimates, demonstrating the anchor's power independent of its validity. Tversky and Kahneman interpreted this as evidence

of a general heuristic: people begin with an initial value and adjust insufficiently from it, leading to predictable and systematic biases.

The application of anchoring theory to pricing and consumer behaviour has been extensively developed in the decades since. Ariely, Loewenstein, and Prelec (2003) demonstrated that arbitrary anchors—in their case, participants’ own social security numbers—could significantly influence consumers’ willingness to pay for products, a finding they termed “coherent arbitrariness.” Wansink, Kent, and Hoch (1998) showed that numerical anchors in retail promotions—such as “limit 12 per customer” versus “no limit”—substantially increased average purchase quantities even without any actual price change. More recently, research in mobile and digital commerce has confirmed that external reference prices on online platforms significantly elevate consumers’ internal reference prices, increasing their willingness to pay even for products encountered without an explicit anchor (Choi et al., 2022).

In the Indian context, studies on impulse buying in FMCG retail settings have consistently identified promotional pricing—the primary vehicle for price anchoring—as the single largest driver of unplanned purchase behaviour, ahead of store displays, advertising, and emotional triggers. Research conducted in organised retail environments in Delhi NCR found that younger consumers (aged 18–25) were the most susceptible demographic group, while lower-middle income households showed the highest sensitivity to anchored discount labels on daily necessities.

Despite this body of evidence, the macroeconomic dimensions of price anchoring remain underexplored in the literature. Most existing research treats anchoring as a microeconomic phenomenon—a tool of individual firm strategy—without examining the aggregate effects of its simultaneous deployment across an entire sector. This paper attempts to address that gap, particularly in the context of the Indian economy where FMCG consumption is both a significant component of national income and a key indicator of consumer confidence.

3. Methodology

This paper adopts a qualitative case study methodology, supplemented by secondary quantitative data. The primary case study—Hindustan Unilever Limited—was selected on the basis of its market dominance (it is India’s largest FMCG company by revenue), the breadth of its product portfolio across income segments, and the availability of detailed, publicly verifiable financial data. HUL’s scale makes it uniquely representative: its pricing decisions affect consumption across virtually every income group in India, from rural households purchasing ₹5 sachets to urban premium consumers purchasing ₹649 shampoos.

Financial data was sourced primarily from HUL's official Annual Reports and Financial Highlights for FY2022, FY2023, and FY2024, supplemented by analyst reports from Sharekhan (June 2024), earnings analyses published in *Business Standard* (April 2024), and advertising expenditure data from MarketingMind. Product pricing data was cross-verified against live retail listings on Amazon India and BigBasket (2024). All macroeconomic data, including CPI methodology and GDP composition figures, was drawn from Reserve Bank of India publications and NCERT Class XII Macroeconomics.

The analysis proceeds in three stages: first, a theoretical examination of the anchoring effect and its typology; second, a sector-level analysis of causes, consequences, and stakeholder impacts; and third, a firm-level case study that uses real financial data to test theoretical predictions about anchoring's effectiveness and limitations. The macroeconomic framework is applied throughout, connecting firm-level observations to broader economic outcomes.

It should be noted that this study's primary limitation is its reliance on a single case study company and on secondary data. The financial performance figures used reflect overall company outcomes and cannot isolate the specific contribution of price anchoring from other variables including product innovation, distribution expansion, commodity cost cycles, and general macroeconomic conditions. These limitations are discussed further in Section 8.

4. Theoretical Framework

4.1 The Anchoring Effect

The anchoring effect is a cognitive bias in which the first piece of information encountered—the anchor—exerts a disproportionate influence on all subsequent judgments, even when those judgments should logically be independent of the initial value. In the consumer context, the anchor is almost always a price: the MRP printed on a product, the original price crossed out on a promotional tag, or the cost of a competitor's product displayed nearby. Consumers use this number as a starting point and adjust their assessment of value from it—but crucially, they adjust insufficiently, leaving their final judgment anchored closer to the initial value than objective evaluation would warrant.

From a macroeconomic perspective, the anchoring effect is significant because it directly undermines the assumption of rational consumer behaviour that underpins classical models of national income determination. If consumption decisions are shaped as much by cognitive bias and reference points as by actual income and price levels, then the consumption function—the relationship between income and spending—is less stable and more manipulable than standard models assume. This has implications for the predictability of aggregate demand and for the effectiveness of macroeconomic policy instruments designed to influence consumption.

4.2 A Typology of Anchoring Forms in FMCG

Price anchoring in the FMCG sector is not monolithic. It manifests in at least five distinct forms, each exploiting the anchoring heuristic through a different mechanism.

Price anchoring in its most basic form involves displaying a reference MRP alongside a lower promotional price—"MRP ₹200, Now ₹150"—to create the perception of savings even when ₹150 was always the intended selling price. Arbitrary anchoring, as demonstrated by Tversky and Kahneman, occurs when an unrelated number influences price perception; in FMCG, this explains why a product placed next to a premium item is perceived as cheaper even without an explicit discount being displayed. Implicit anchoring works through context rather than numbers: placing Wheel detergent next to Surf Excel on a retail shelf creates an anchor through juxtaposition alone, making Wheel feel like a bargain relative to Surf Excel's higher MRP without any promotional communication being required.

Composite anchoring combines multiple signals simultaneously—MRP strikethrough, percentage discount, "limited time offer" label, and "only X left in stock" warning—all on a single product listing, particularly prevalent on e-commerce platforms. Each signal functions as an independent anchor, and their combination produces a compounded effect on perceived urgency and value. Finally, numerical pack-size anchoring occurs when the price of a smaller pack establishes a reference point that makes the per-unit cost of larger packs appear dramatically more favourable—a mechanism HUL exploits systematically across its product range, as documented in the case study below.

5. Price Anchoring in the Indian FMCG Sector: Causes, Consequences, and Stakeholder Impacts

5.1 Structural Causes

Several structural features of the Indian FMCG sector make it particularly conducive to price anchoring. First, consumers typically have limited information about the true cost of manufacturing FMCG products, leaving them reliant on seller-provided reference prices when forming value judgments. This information asymmetry is the fundamental precondition for anchoring to work: without it, consumers could evaluate prices against their own knowledge of production costs and would be less dependent on the anchor.

Second, the low financial risk and high purchase frequency of FMCG products mean that consumers spend less time evaluating alternatives and are more susceptible to immediate pricing cues. The cognitive effort required to question an anchor is simply not warranted for a ₹150 shampoo purchase in the way it might be for a ₹50,000 consumer electronics purchase. This

characteristic of the category—low involvement, high frequency—is precisely what makes anchoring so effective within it.

Third, and critically from a macroeconomic standpoint, the Indian FMCG sector functions as an oligopoly. A small number of large firms—HUL, Procter & Gamble, ITC, Nestlé, and Dabur—account for the majority of market share across most categories. In oligopolistic markets, firms typically avoid direct price competition, preferring non-price strategies instead. Price anchoring is one such strategy: it allows firms to create the perception of competitive pricing without actually reducing prices, preserving margins while appearing consumer-friendly. However, when all major firms in an oligopoly simultaneously adopt aggressive promotional anchoring, the economy-wide effects can include category-level deflation, as was observed in HUL's fabric care segment in FY2024.

5.2 Consequences for Consumers and Firms

For individual consumers, price anchoring's most immediate effect is a systematic distortion of perceived value. Products displayed with a higher reference price are consistently evaluated as better value, even when the actual selling price is identical to an unanchored competitor. This perception gap increases susceptibility to impulse purchasing—consumers make purchases they had not planned to make because an anchored discount makes inaction feel irrational. Over time, however, repeated exposure to anchored promotions creates discount dependency: consumers become conditioned to expect promotional prices and grow reluctant to purchase at full MRP, shifting the effective market price downward and eroding firm margins.

For FMCG firms, the short-term benefits of anchoring are clear: higher sales volumes, improved brand recall, and stronger competitive positioning during promotional periods. The long-term risks are equally clear: if consumers begin to question the authenticity of reference prices—if MRP is understood to be inflated rather than genuine—trust in the brand erodes, and the anchoring mechanism loses its power. The FY2022 and FY2024 HUL data, discussed in the case study below, provide empirical evidence of both the benefits and the limits.

5.3 Stakeholder Analysis

Consumers are the primary stakeholders affected by price anchoring. While anchoring can help them identify apparent bargains and simplify decision-making in crowded markets, it also exposes them to manipulation through inflated reference prices and encourages spending beyond their actual needs or budgets.

FMCG companies benefit from anchoring through higher sales and stronger competitive positioning, but face risks of brand credibility damage and margin compression if promotional

pricing becomes permanent. Retailers benefit from increased footfall and faster inventory turnover during promotional periods, but are often pressured by large manufacturers like HUL to pass on promotional pricing to consumers, compressing their own margins in the process.

The government and regulators occupy a complex position. India's Legal Metrology Act (2009) requires MRPs to be genuine and not artificially inflated. Enforcement is difficult in practice, but the regulatory concern is real: systematically inflated MRPs used purely as anchors create a gap between reported prices and actual transaction prices that can distort the Consumer Price Index, complicating the Reserve Bank of India's inflation targeting.

6. Case Study: Hindustan Unilever Limited (HUL), FY2022–FY2024

6.1 Company Overview

Hindustan Unilever Limited is India's largest FMCG company and a subsidiary of Unilever Plc (UK). Founded in 1933, it operates across 16 product categories—soaps, detergents, shampoos, beverages, nutrition, and personal care—through over 50 brands including Surf Excel, Dove, Lux, Rin, Lifebuoy, Clinic Plus, Glow & Lovely, and Wheel. In FY2024, HUL reported a turnover of ₹59,579 crore, with net profit crossing ₹10,000 crore for the first time in its history. Its products reach approximately 9 in 10 Indian households through a network of over 9 million retail outlets, of which approximately 2 million receive direct coverage. Surf Excel crossed the US\$1 billion annual sales milestone in FY2022, and six other brands each exceed ₹2,000 crore in annual sales.

6.2 Anchoring Strategies in Practice

HUL uses India's mandatory MRP labelling system as the foundation of its anchoring strategy. Rather than competing purely on the lowest absolute price, HUL sets MRPs that function as permanent anchors and then uses promotional tools to create a gap between the anchor and the selling price. The three primary methods are as follows.

MRP strikethrough anchoring is HUL's most common form. A Dove Intense Repair Shampoo (700 ml) displayed as "MRP ₹649, Now ₹499" illustrates the mechanism clearly. The same product offered at a flat ₹499—without the MRP reference—creates far less purchase motivation; the ₹649 anchor is what transforms ₹499 into a perceived bargain rather than simply a price.

Pack-size decoy anchoring operates across HUL's entire product range. Surf Excel Easy Wash is simultaneously stocked in four sizes: 500 g (₹105, ₹21.00/100 g), 1 kg (₹190, ₹19.00/100 g), 2 kg (₹350, ₹17.50/100 g), and 4 kg (₹625, ₹15.63/100 g). The 500 g pack functions as a reference

anchor: its per-unit cost makes the 2 kg pack appear dramatically more rational, nudging consumers from a ₹105 transaction to a ₹350 transaction—a 233% increase in spend—while they experience this as a value-maximising rather than a budget-expanding decision.

Grammage promotion anchoring quantifies the perceived saving associated with extra-quantity offers. A Clinic Plus promotion offering 340 ml at the price of 280 ml is communicated as “Get 60 ml FREE—Save ₹35.” The ₹35 saving figure is the anchor; it triggers purchase decisions among consumers who had no prior intention of buying shampoo, producing the impulse-buying behaviour that behavioural economics theory predicts.

6.3 Financial Data Analysis

HUL’s Advertising and Promotional (A&P) expenditure is the primary vehicle through which anchored prices are communicated—via television, in-store displays, e-commerce listings, and trade promotions. Tracking A&P expenditure against underlying volume growth across FY2022–FY2024 allows an empirical assessment of anchoring’s effectiveness as a demand driver.

In FY2022, HUL posted turnover of ₹50,336 crore, representing 11.1% year-on-year growth, but underlying volume growth was flat at approximately 3%. In FY2023, turnover grew sharply to ₹58,154 crore (+15.5%), with volume growth improving to 5%. In FY2024, revenue reached ₹59,579 crore (+2.2%), but underlying volume growth fell to just 2%—the weakest performance in the study period.

The key development in FY2024 was on the cost side: gross margins expanded by 430 basis points as raw material costs—particularly palm oil—fell sharply from their 2022 inflation peak. Rather than retaining this improvement as profit, HUL’s management made the strategic decision to reinvest it into promotional spending. A&P expenditure rose 32% for the full year FY2024 versus FY2023, and 23.3% in Q4 FY2024 alone, rising from ₹1,311 crore in Q4 FY2023 to ₹1,616 crore—equivalent to approximately 10% of annual revenue. This decision—to sacrifice margin improvement in favour of promotional anchoring—reflects the degree to which HUL regards price anchoring as its primary demand tool.

“Gross margin expanded 320 basis points year-on-year to 52.3% in Q4 and 200 basis points of that was put back into advertising and promotion—spending up 23% year-on-year in Q4 and up 32% in FY24.” — *Business Standard*, analysis of HUL Q4 FY2024 results, April 2024.

6.4 When Anchoring Failed: The FY2022 Inflation Case

The commodity inflation cycle of 2021–22 provides a critical natural experiment in which to test the limits of price anchoring. As palm oil and packaging costs surged due to global supply chain

disruptions and the Russia–Ukraine war’s impact on commodity markets, HUL was forced to raise MRPs across its portfolio in March 2022: Surf Excel Easy Wash 1 kg rose from ₹126 to ₹130 (+3%), Dove Body Wash 250 ml from approximately ₹260 to ₹275 (+5.8%), and Lux soap bars from approximately ₹40 to ₹42–44 (+5–10%).

The critical consequence was not the price increase itself, but the elimination of the anchor gap. Consumers who had been conditioned to the “MRP ₹126, Now ₹99” display on Surf Excel encountered a bare ₹130 sticker with no promotional discount. The reference point had moved upward, and no discount was offered relative to it. Underlying volume growth in Q1 FY2023 fell to approximately 1–2%, far below the 5–9% seen during well-anchored promotional periods and below even the modest 3% of FY2022.

This episode has clear macroeconomic dimensions. The FY2022 inflation was driven by global supply-side shocks—a type of external pressure that translates directly into domestic price level increases and erodes real consumer purchasing power. The HUL case demonstrates that when such macroeconomic forces operate, firm-level pricing strategies, including anchoring, are insufficient to counteract them. No reference price presentation can substitute for lost real income.

6.5 Competitive Spillovers

HUL’s 32% increase in advertising and promotional expenditure in FY2024 had significant competitive consequences. Rivals including Marico and Godrej Consumer, unable to match HUL’s promotional depth without unsustainable margin compression, trimmed their own promotional budgets in Q2 FY2025. This dynamic—one firm’s aggressive anchoring forcing competitors either to match it or cede market share—illustrates how price anchoring in an oligopolistic market can trigger industry-wide margin pressure, creating macroeconomic consequences beyond the strategic intentions of any individual firm.

7. Macroeconomic Implications of Price Anchoring

7.1 Impact on National Income and Private Consumption

In standard macroeconomic accounting, national income (Y) is expressed as the sum of its expenditure components:

$$Y = C + I + G + NX$$

where **C** represents private consumption expenditure. In India, C accounts for approximately **55–60% of GDP**, making it the dominant driver of national income. FMCG spending is a significant

sub-component of C, given that FMCG products are purchased by virtually every Indian household on a daily or weekly basis.

Price anchoring affects C through two channels. First, it directly increases individual purchase amounts—through impulse buying and the pack-size decoy effect—pushing actual spending above planned spending. When aggregated across the population, this represents a genuine increase in private consumption expenditure and therefore in national income. Second, anchoring influences the timing of purchases: by creating urgency through “limited time offer” anchors, firms can bring forward consumption from future periods, producing a temporary boost in C that may be partially offset by reduced purchases in subsequent periods.

The HUL FY2024 data illustrates both the potential and the limits of this channel. Despite record A&P investment intended to stimulate consumption through anchored promotions, underlying volume growth was just 2%. The explanation lies in the macroeconomic environment: structural weakness in rural income growth in FY2024—driven by uneven monsoon patterns and stagnant agricultural wages—meant that a substantial portion of the potential consumer base lacked the purchasing power to respond to even compelling anchors. This confirms the macroeconomic principle that anchoring can stimulate C within income constraints, but cannot override those constraints when they are binding.

7.2 Anchoring and Inflation Measurement

A less-discussed but significant macroeconomic consequence of price anchoring concerns its interaction with India’s inflation measurement framework. The Consumer Price Index (CPI), maintained by the Ministry of Statistics and Programme Implementation and used by the Reserve Bank of India as its primary inflation measure, is calculated based on actual prices paid by consumers for a defined basket of goods and services, many of which are FMCG products.

When FMCG companies systematically inflate MRPs to create a larger anchor gap, a divergence emerges between the MRP—which may appear in price surveys—and the actual transaction price consumers pay after promotional discounts. This divergence creates potential inconsistencies in price data collection. If survey-reported prices reflect MRPs rather than promotional prices, the CPI may overstate the actual price level. Conversely, if promotional prices become so consistent that they effectively replace MRPs as the normal market price, sudden removal of promotions could register as inflation even when no genuine increase in manufacturer pricing has occurred. Either outcome complicates the RBI’s ability to accurately assess inflationary pressure and calibrate monetary policy accordingly.

7.3 Anchoring as Private Demand Stimulus

During periods of economic slowdown, when consumer confidence is low and private consumption contracts, FMCG anchoring strategies can function as an informal private-sector demand stimulus—maintaining C at higher levels than would occur in the absence of promotional pricing. This is analogous in structure, if not in mechanism, to the kind of demand stimulation that Keynesian economic theory attributes to government fiscal policy: an external intervention that shifts spending decisions by altering the perceived terms of exchange.

HUL's deliberate reinvestment of gross margin gains into promotional spending during FY2024's period of weak rural demand is precisely this kind of private stimulus. Rather than allowing consumption to contract in line with reduced purchasing power, HUL used anchored promotions to sustain demand by improving perceived value. The macroeconomic effect of this—preventing a larger contraction in C than would otherwise have occurred—is real, even if it is impossible to quantify precisely from available data.

7.4 Long-Term Distortions

The long-term macroeconomic risks of widespread price anchoring deserve acknowledgement. As consumers become conditioned to purchasing primarily during promotional periods, aggregate consumption becomes increasingly concentrated around promotional cycles rather than distributed smoothly across the year. This creates lumpiness in consumption expenditure that complicates macroeconomic forecasting and makes it harder for policymakers to distinguish genuine changes in consumer demand from promotional timing effects.

Furthermore, the negative price growth observed in HUL's fabric care segment in FY2024—where effective transaction prices fell year-on-year as promotional discounts deepened—represents a form of category-level deflation. While deflation in a specific FMCG category may seem benign, widespread promotional deflation across the FMCG sector could in principle put downward pressure on the broader CPI, complicating the RBI's inflation targeting mandate if it causes the CPI to undershoot the target band during periods when underlying demand pressures are actually rising.

8. Discussion and Limitations

The analysis presented in this paper supports the view that price anchoring is a strategically rational response to the structural features of the Indian FMCG market—information asymmetry, high purchase frequency, low consumer involvement, and oligopolistic competition—but that its effectiveness is highly context-dependent. It works best when the anchor is high and stable, the discount gap is wide and consistently communicated, and consumers have the purchasing power

to act on the perceived value. When any of these conditions is absent—as when inflation forces MRP increases (FY2022) or when rural income weakness constrains purchasing power (FY2024)—anchoring’s demand-stimulating effect diminishes significantly.

The macroeconomic dimensions of this analysis extend the standard treatment of anchoring in the economics literature. Most existing research focuses on anchoring as a firm-level or consumer-level phenomenon. This paper argues that at the scale at which anchoring is deployed in India’s FMCG sector, its aggregate effects on private consumption, inflation measurement, and the competitive dynamics of an oligopolistic market constitute genuine macroeconomic outcomes that deserve more systematic analytical attention.

Several limitations of this study should be noted. First, the case study focuses on a single company, HUL, and its outcomes may not be fully representative of the broader FMCG sector, particularly smaller or regional firms. Second, the financial data used—turnover, volume growth, and advertising expenditure—reflects overall company performance and cannot isolate the specific contribution of price anchoring from other variables including product innovation, distribution expansion, and macroeconomic conditions. Third, the paper relies on secondary data and published research rather than primary consumer surveys, which limits the precision of claims about consumer behaviour at the individual level. A mixed-methods study combining firm financial data with primary survey data across income groups and geographies would yield more rigorous conclusions. Despite these limitations, the convergence of theoretical frameworks, verified financial data, and published research provides a sufficiently robust basis for the conclusions drawn.

9. Conclusion

This paper set out to examine price anchoring in India’s FMCG sector—its causes, mechanisms, consequences, and macroeconomic implications—using **Hindustan Unilever Limited (HUL)** as a primary case study. The analysis demonstrates that price anchoring is far more than a marketing tactic: rooted in the psychological research of **Tversky and Kahneman**, it exploits a fundamental feature of human cognition to shape how consumers evaluate value, causing individuals to assess prices not in absolute terms but relative to a reference point. In a sector as competitive and consumption-driven as Indian FMCG, this strategy has become ubiquitous across every product category and income segment.

The HUL case study provides concrete, data-grounded evidence of both the power and the limits of price anchoring in practice. The company’s record promotional investment in FY2024—₹1,616 crore in a single quarter—reflects the degree to which anchoring is central to its competitive model. Yet the 2% underlying volume growth of FY2024, against a backdrop of

record promotional spend, demonstrates that anchoring operates within real economic constraints: it can shape perception, but it cannot override the limits imposed by consumer purchasing power or macroeconomic instability. The FY2022 inflation episode further illustrates this: when global supply-side shocks forced MRP increases that narrowed the anchor gap, the anchoring mechanism lost its effectiveness almost immediately, and volume growth collapsed.

From a macroeconomic perspective, the widespread deployment of price anchoring in the FMCG sector has consequences that extend well beyond the firm and the individual consumer. It influences the level and timing of private consumption expenditure—the largest component of India’s national income. It creates potential distortions in CPI measurement through the systematic use of inflated MRPs as reference prices. It functions, under certain conditions, as an informal private-sector demand stimulus that partially offsets macroeconomic headwinds. And it generates competitive spillovers across the oligopolistic market structure that can produce economy-wide margin pressure and category-level deflation.

For price anchoring to remain a sustainable strategy, firms must balance promotional pricing with genuine product value, transparent communication of reference prices, and ethical compliance with India’s Legal Metrology framework. As digital commerce expands and anchoring tools grow more sophisticated—enabling personalised, targeted promotions at scale—both the potential benefits and the risks of anchoring will increase. Ensuring that this power is exercised responsibly is a challenge that falls equally on firms, regulators, and an increasingly informed consumer base.

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