



“Analysis of Shrinkflation Strategy as a New Industrial Marketing Technique”

Author¹: Ms Rashi Singhal, Author²: Abhilasha Gupta

Assistant Professor, Research Scholar

Institute of Management Studies, Ghaziabad, U.P. 201009,

Department of Commerce and Management, Banasthali Vidyapith

ABSTRACT

In the current world of extreme tough industry competition, every company, whether operating at the domestic or international level, is struggling with excellent toughness to strive in the market and attract more customers. In order to attain the business objectives, firms in the industry are trying to adopt newer ways of marketing by each step where they have arrived to work upon the concept of Shrinkflation. Shrinkflation includes a sequential procedure of either decreasing the product size or quantity or asking for a higher price against offering the exact quantity the company previously sold to its customers. The present paper discusses the concept of Shrinkflation and its market and industry impact. It also focuses on the consequences or outcomes the customer faces. The study is purely based on the qualitative analysis of the secondary data or resources. The paper includes data on some products from the FMCG industry that reduces the number of their products by offering them at the same price.

Keywords: Customers, Industry, Marketing, Shrinkflation

INTRODUCTION

In the world of high market competition, companies at a national and international level are working with great innovative ideas that can help them increase their sales and profit continuously. For higher sales and profits, companies have started working upon the concept of Shrinkflation and applying it to their organization. The term Shrinkflation denotes a marketing method of reducing the quantity of a product and offering it at the same price as the company previously offered it. The main goal of this marketing strategy is to reduce the size or quantity of a product so that they can have higher sales within the company and earn more profits with the same economies of scale (Press, 2022). Shrinkflation allows organizations to expand their working edge and productivity by decreasing expenses while keeping up with deals volume and is often utilized as an option in contrast to bringing costs up following expansion. Shrinkflation is scaling in the general value level of products per unit of weight or volume, achieved by a decrease in the weight or size of the product sold (Gupta and vaidya, 2022).

The term was coined by an economist from Britain, Pippa Malmgren, in 2009. The peculiarity has become very typical in the food and refreshment industry. Shrinkflation is a type of inflation that is hidden in nature. Rather than expanding the cost of an item, which would promptly be evident to customers, companies lessen the item's size while keeping up with a similar cost. The outright cost of the item does not go up; however, the cost per unit of weight or volume has expanded. The slight decrease in amount is typically unseen by purchasers as either they are influenced by the celebrity advertisement or by their society; even those who are habitual of the particular product also do not focus on the reduced quantity (Trinidad, 2021). Companies generally involve Shrinkflation in the food and refreshment or fast-moving consumer goods industry. It has become a typical strategy to assist firms with managing their expansion issues from providers. Many organizations established that their clients would shy away and maybe start to search for substitute items whenever they stood up to one more cost increment.

However, shrinkflation cannot be seen as extortion or deception of items. Firms generally demonstrate their items' weight, volume, or amount on bundling marks (Butler & Avery, 2022).

LITERATURE REVIEW

Kim, I. K. (2022); In the review of "Consumers' preference for downsizing over the package price increase", The author of the research used bundle scaling back in the regions of the South Korean retail milk market and looked at the degree to which shoppers' reaction towards the bundle scaling down contrasts from their reaction to a bundle cost increment. He found that rising the unit cost through an expansion in the bundle cost as opposed to bundle cutting back would have diminished request by 34 per cent. Also, the gap between the utilization measures under the two unusual reactions is determined over the fourteen months. The author determined that the investigations that happened in the past ascribed purchasers' inclination for scaling down over bundle cost increment to look through erosion and mental predispositions. Hence, he fostered a straightforward model that explains why thoroughly educated buyers would be less delicate to scaling down than bundle cost increments. The study results show that makers of customer bundled merchandise, in some cases, lessen bundle contents or apply the practice of shrinkflation as opposed to expanding bundle costs in light of increasing expenses. Despite its commonness, in any case, a couple of works inspected the degree to which purchasers' reaction to scaling back is not the same as their reaction to the bundle cost increment.

Wood, B. E. (2022); The paper by the author aims to have extensive exploration of shrinkflation in the worldwide financial climate. The main objective of this study is to lay out the moral angle of shrinkflation and its underlying drivers. The paper was likewise getting the shoppers' points of view and associations to check whether they contrast or, on the other hand, if they are something similar. It also includes how government mediation strategies, exchange wars, the pandemic, and the Russian intrusion of Ukraine have impacted the practice of shrinkflation. The author found a moral situation for shrinkflation, which is an excellent representation of the shareholder and stakeholder concepts. The two sides have magnificent contentions. The theory of stakeholder's supporters is attempting to keep benefits up during this season of high expansion and monetary stagnation, while the theory of shareholders focuses upon the view of training as unscrupulous and tricky. The author also encountered the hierarchical versus shopper point of view; however, a few firms in Japan and different nations will not follow this training to make the best decision. Legislatures play had a significant impact on shrinkflation, too, through U.S. President's Trade War with China and President Biden's misgiving to switch any of those strategies.

Singhal, R. (2021); Talked that Guerrilla marketing is a cutting-edge method that involves unconventional or uncommon systems for raising the thing to the market. This propelling style of guerrilla marketing depends intensely upon impulsive marketing procedure, high energy and inventive cerebrum. Guerrilla type of marketing consolidates odd methods of reasoning, for instance, get experiences with no effort to be hidden spots, road giveaways of things, or any capricious elevating planned to come by most unbelievable outcomes from insignificant assets. *Guerrilla marketing* is an irrelevant effort strategy which makes it ideal for firms that do not have colossal advancing financial plans. Its prosperity will rely on its social certification and make substance instead of disgusting contemplations. She also said that this type of marketing helps companies with an option of ample opportunities by adopting different surprising marketing methods.

Saleh Ramzani and et al. (2018); Encountered what happens when purchasers do notice a decline in the unit size of a product or service. Moreover, the authors assumed that the purchaser would, in any case, be faithful to the item after the scaling down or not of the quantity of such product. Their paper relies upon a survey of 74 people, who utilizes a drop-off method, with an organized & self-regulated survey to quantify buyer's perspectives in regards to three different aspects that is buyer's level of knowledge of the product, clients' fulfilment, and buyers' acknowledgement of bundle cutting back. The authors, in their work, have measured their sample through a five-point Likert scale. Their discoveries represent that the buyers' perceptions of shrinkflation are not entirely positive. They suggested that companies are required to work more on this to maintain and retain the loyalty of their customers towards the products they offer.

Arora, D. R., Singhal, R., and et al.; (2018); mentioned that advertisers utilize big names such as celebrities to promote the item so that they can have an impact on the buying choices of shoppers to expand their deals and broaden their portion of the overall industry. Firms are money management colossal sums as promoting use for recruiting the right celebrity as it has been seen that the celebrity component in the advancement of the item makes it more rewarding and perceptible. Buyers see the brand as having unrivalled quality since it has been embraced by a valuable and commendable source they respect as their genuine legends. Their paper follows certain variables

that make the support from some celebrities for their items more famous, looking at the view of customers about celebrity support and lastly, the effect of celebrity support on their buy expectation. Their study is also an endeavour to know why superstars are involved in promotions. The customer fulfilment essentially relies upon the quality and speediness of the help delivered, far more than extensive name underwriting and substitution ensure.

Golovacheva, K. S. (2016); In the paper titled "(Un) fairness of shrinkflation: the role of consumer-, firm-, and market-related factors", tried to resolve the issue of bundle scaling back, commonly known as shrinkflation. He found that the issue is without a highly critical as it straightforwardly relates with the two that is customers loyalty as well as the business firms, it got just restricted consideration of specialists. The main aim behind the research is to integrate the bundle cutting back technique into the more extensive area of reasonableness studies, and, in this manner, the author encountered the request to consider moral contemplations of commercial center exercises. The paper involves a situational-based analysis in which he tested how shopper suspicion, contenders' way of behaving and expressed strong expectations influence the apparent fairness of bundle cutting back (shrinkflation). Additionally, it was also found that the past discoveries regarding the results of seen shamefulness are upheld with application to bundle cutting back.

Singhal, M. R. (2016); The current paper by the author centers around the approach of buyers of the female category, purposes behind something similar and the different techniques and arrangements concerning the organizations to draw these new buy deciders. Her paper depends upon secondary information sources and proposes to be a structure for future experimental review. She quoted that ladies are the purchasers and critical leaders in acquiring most buyer merchandise. Progressively, they are the financial equivalents of men in the work environment, and they keep on running the family. Brands which straightforwardly or in a roundabout way advance physical and close-to-home prosperity, safeguard and save the climate, provide training and care to the poor and energize love and association will benefit the most. This has provided the necessary stimulus for ladies' purchasers' prospering business sector. She also found that the Indian ladies invest more energy in shopping for food and other family things as often as possible. Addressing and understanding ladies' requirements will be fundamental for revamping the economy; in that lies the way to break out development, reliability and piece of the pie.

RESEARCH OBJECTIVE

The objective of the present study is to:

- Determine the concept of shrinkflation concerning market and industry.
- Determine the results or outcomes from applying Shrinkflation in context to the customers.

RESEARCH METHODOLOGY

The researcher has applied a secondary method of research into practice for this paper which includes data from records of journals, magazines, different websites and other articles. The authors have indulged literature and some record data after a deep study, which helps make a sound conclusion relevant to the topic.

DATA ANALYSIS AND FINDINGS

S.no	Product	Quantity earlier per pack (in gm)	Quantity now per pack (in gm)
1	Parle-G	140	110
2	Vim bar	155	135
3	Wheel detergent powder	115	110
4	Rin bar	150	140
5	Nestle's Maggi noodles	80	55
6	Cadbury Dairy Milk chocolate	250	180
7	Haldiram's Aloo bhujia	55	42
8	Snickers chocolate	58	48
9	Lidl's Jelly Beans	250	200
10	Nestle's coffee	100	90
11	Chobani flip yogurt	150.25	127.57

Table 1: Shrinkflation in FMCG Industry

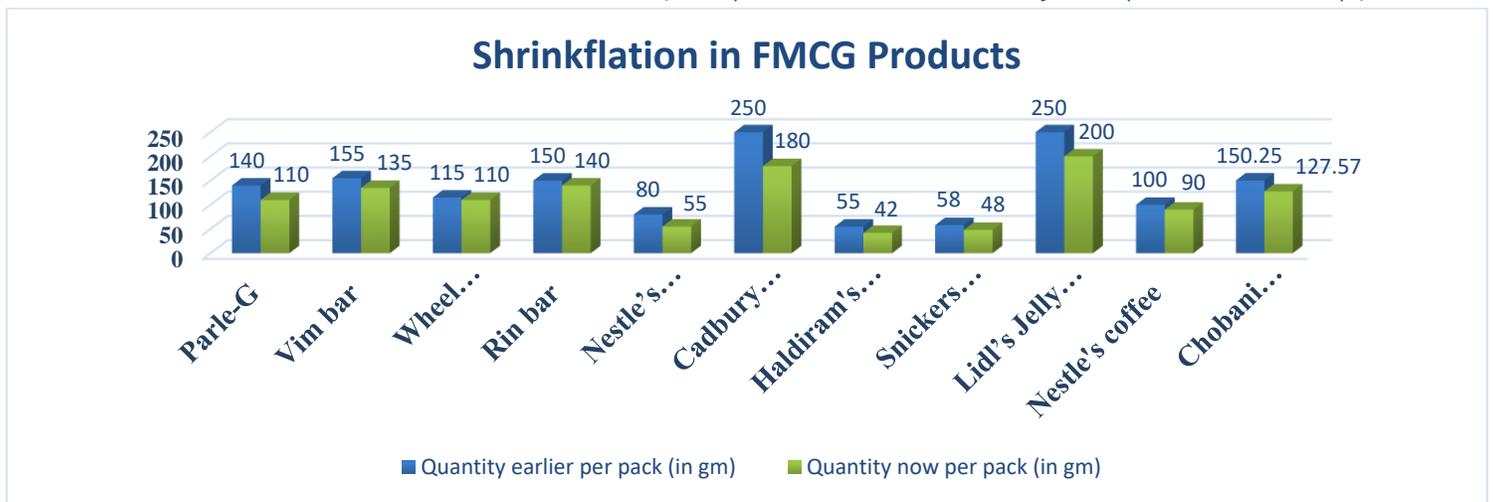


Figure 1: Shrinkflation in FMCG products

From the figure mentioned above and the graph, it is interpreted that the most famous brands in the FMCG industry are adopting the strategy of Shrinkflation within their offerings to earn higher revenues. Companies like Parle-G, Vim bar, Wheel detergent powder and others can be found in most houses and are highly preferable by the customers. Parle-G initially offered its biscuit of 140gm, but later on, it reduced 30gm per pack and started offering at 110gm for the same price of Rs. 10/-. On the other hand, the most famous snack company Haldiram was initially offering 55gm for Rd. 10/- but with the aim of higher earnings, the company started selling the same product in a 42gm pack without increasing its price.

It is not only the FMCG industry that is working upon the concept of Shrinkflation; there are several more industries like the Telecom industry, beverage industry and many others who all have reduced the quantity of their product and service and are offering to market. Customers rely upon brand loyalty and get influenced by its advertising technique which does not focus upon the quantity offered to them for that product or service, due to which it becomes easy for the companies to reduce the quantity and increase its profit margin.

DISCUSSION

Presently, shrinkflation is a typical practice among firms. The quantity of items that go through scaling back builds consistently. Enormous firms in the European and North American business sectors depend on this methodology to keep up with the cutthroat costs of their items without altogether decreasing their benefits. Simultaneously, shrinkflation can now and again lead to client dissatisfaction and disintegrating shopper feeling regarding the maker's image. Ultimately, shoppers do "savvy up" to what is happening. Oat boxes that are similar to the past, however, appear to be just about half full and have nearly turned into a divided joke among organizations and purchasers. Shrinkflation favours producers since they realize clients will see cost increments yet will not monitor net loads or little subtleties, similar to the number of sheets on a roll of bathroom tissue. Organizations can likewise utilize stunts to distract from cutting back, such as stamping more humble bundles with brilliant new marks that draw customers' eyes.

LIMITATIONS OF THE STUDY

The researchers have identified that the research only includes secondary sources, which could be widely used with the combination of primary data or customer interviews. Also, different other industries can also be focused by the researchers for a better insight.

CONCLUSION

Shrinkflation is a type of expansion that is not effectively noticeable to the clients. However, it has been crawling into the client's utilization container recently each little cut. To handle high natural substance costs, a few quick buyer merchandise (FMCG) organizations in India are scaling back item parcels while keeping costs unaltered. Shrinkflation successfully implies that customers are paying something similar for less of the item. Producers quietly contract bundle sizes from tissue to yoghurt and espresso to corn chips without bringing down costs. Shrinkflation is not new but is a new normal today in many companies. Be that as it may, it multiplies amid high expansion as organizations contend with increasing expenses for fixings, bundling, work and transportation. Worldwide customer value expansion was up an expected 7 per cent in May, a speed that will probably go on through September (as per S&P Global).

REFERENCES

- Arora, D. R., Singhal, R., & and et. al; (2018). Celebrity Endorsement: A New Outlook for Promotion. *Management Research and Innovation, Bharti Publications, New Delhi*.
- Butler, P., & Avery, D. (2022, June 14). What Is Shrinkflation and What Does It Mean for Your Favorite Supermarket Items? CNET. Retrieved July 8, 2022, from <https://www.cnet.com/personal-finance/what-is-shrinkflation/>
- Golovacheva, K. S. (2016). (Un) fairness of Shrinkflation: the Role of Consumer-, Firm-, and Marketrelated Factors.
- Gupta, N. and vaidya, D., 2022. *Shrinkflation*. [online] WallStreetMojo. Available at: <<https://www.wallstreetmojo.com/shrinkflation/>> [Accessed 27 June 2022].
- Kim, I. K. (2022). Consumers' Preference for Downsizing Over the Package Price Increase. Available at SSRN 4044401.
- Liscomb, M., 2022. *Popular Food And Drink Products Are Shrinking; Here Are 15 Real-Life Examples From Supermarket Shelves*. [online] BuzzFeed. Available at: <<https://www.buzzfeed.com/meganeliscomb/examples-of-shrinkflation-2022>> [Accessed 12 June 2022].
- Misra, S. (2022, May 21). *You're not imagining it, Maggi to Vim bar—FMCGs are getting smaller. Shrinkflation is here*. The Print. Retrieved August 26, 2022, from <https://theprint.in/features/youre-not-imagining-it-maggi-to-vim-bar-fmcgs-are-getting-smaller-shrinkflation-is-here/965170/>
- Press, T. A. (2022, June 8). *'shrinkflation' accelerates globally as manufacturers quietly shrink package sizes*. NPR. Retrieved July 5, 2022, from <https://www.npr.org/2022/06/08/1103766334/shrinkflation-globally-manufacturers-shrink-package-sizes>
- Saleh, R. M., Ramzani, S. R., and et. al; (2018). Shrinkflation from Consumer's Perspective: An Exploratory Study Using Crystal Products in Egypt.
- Singhal, M. R. (2016). "New Queen of the Market"-A Study on Growing Power and Influence of Women Consumers in India. *A Study on Growing Power and Influence of Women Consumers in India (May 05, 2016)*. International Journal of Advanced Research Foundation.
- Singhal, R. (2021). Impact of Guerrilla Marketing on the Buying Behavior of Consumers. *Journal of Emerging Technologies and Innovative Research (JETIR)*.
- Trinidad, C. (2021, September 8). Shrinkflation. Corporate Finance Institute. Retrieved July 14, 2022, from <https://corporatefinanceinstitute.com/resources/knowledge/economics/shrinkflation/>
- Venkatesan, N., & Tandon, S. (2022, June 27). *What is 'shrinkflation' and how is it playing out in India?* mint. Retrieved May 25, 2022, from <https://www.livemint.com/economy/how-shrinkflation-is-playing-out-in-india-11656335468700.html>
- Wood, B. E. (2022). Ethical Dilemma, Deception, or Good Business.