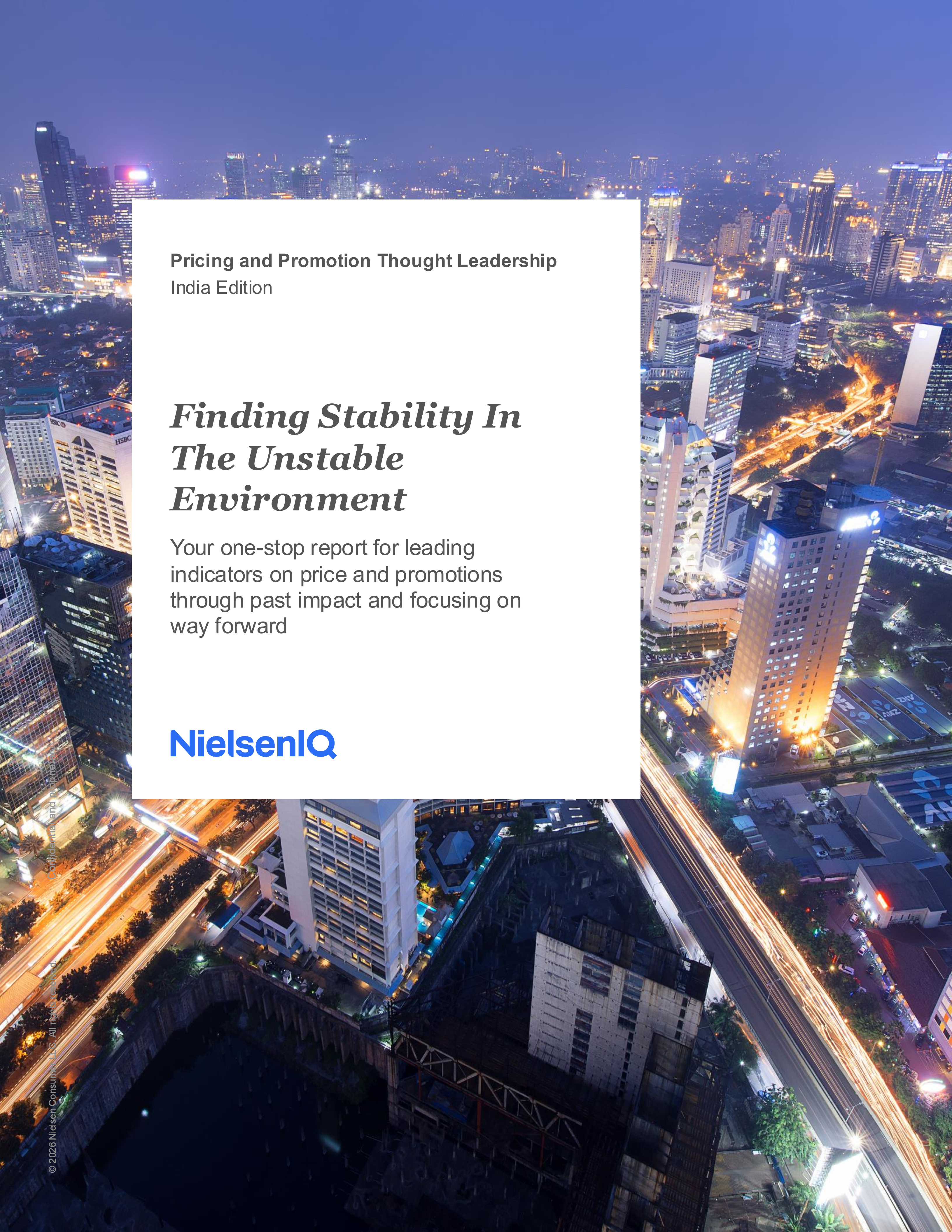


Pricing and Promotion Thought Leadership
India Edition

Finding Stability In The Unstable Environment

Your one-stop report for leading indicators on price and promotions through past impact and focusing on way forward

NielsenIQ

Contents

Global Thought Leadership

In this document, the content writers highlight the impact that manufacturers and retailers are currently experiencing. It is critical for both manufacturers and retailers to protect margins while keeping consumers at the center.

This document outlines the measures manufacturers and retailers can undertake in the short and long term to drive growth.

Through a case study, it becomes evident how a manufacturer can grow the business by leveraging price-pack architecture.

NIQ

01
India Landscape

Despite shoppers emerging from lockdown with unprecedented demand, the market is now facing new spending pressures such as inflation and recessionary mindsets. In addition, GST 2.0 was introduced to rationalize prices.

These pressure points are redefining growth opportunities for both retailers and brands. This section covers the challenges the market is currently experiencing and the impact of disruption in the Indian market.

01
India Landscape

***Too much in too short frame** - Big events kept manufacturers and retailers on their toes in the decade passed by. GST 1.0, Demonetization, Covid, GST 2.0 and not to forget about the geopolitical conflicts. While India has managed to control oil prices, the question is, are the manufacturers gearing up for the short and long term play.*

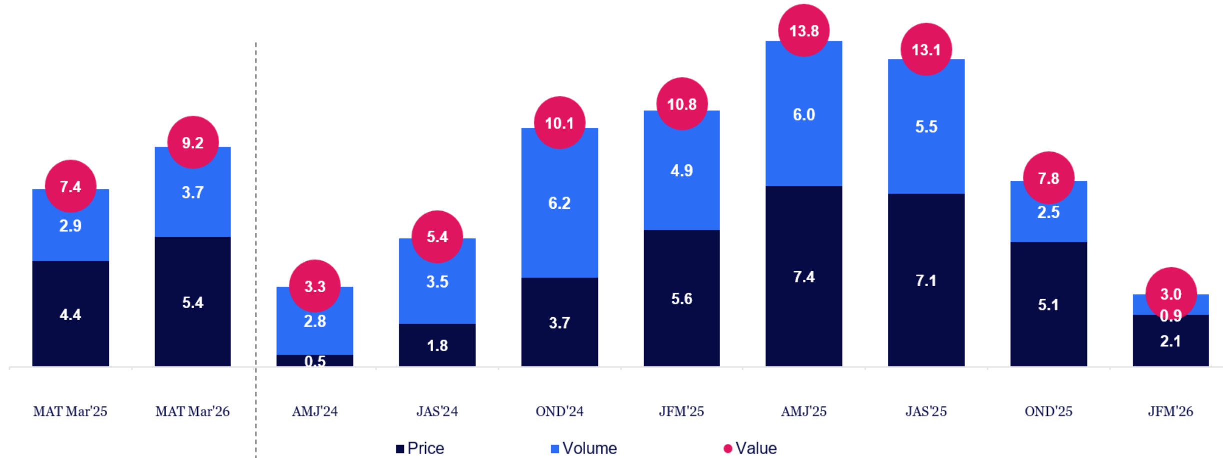
FMCG Performance

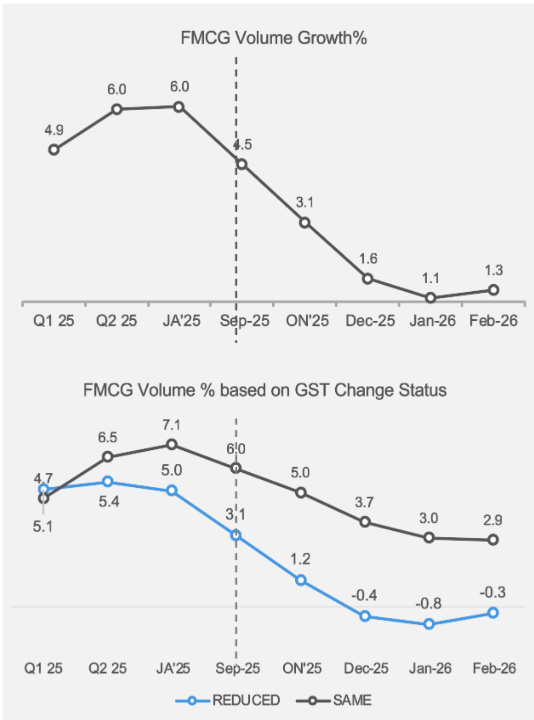
FMCG growth stood at 9.2% in 12 months closing March 2026, led by price and consumption led growth. Rural growth continues to outpace urban growth, supported by structural drivers such as Direct Bank Transfer schemes and the emergence of non-agricultural income sources.

September saw the introduction of GST 2.0 aimed at stimulating demand through lower taxes. However, in the initial months, supply-chain disruptions held back the expected gains in consumption. Retailers deferred purchases in anticipation of price changes and prioritized clearing old inventory, resulting in a short-term drop in retailer purchases and volumes. This impact on growth is witnessed in immediate quarters.

The outlook for coming quarter remains positive, with trade disruptions expected to ease and consumers gradually benefiting from revised prices. However, manufacturers need to recognize that price cuts alone are not enough; strong execution, better assortment, effective shelf presence, and retailer confidence are essential to support sales.

ALL INDIA (U+R) : FMCG GROWTH TREND





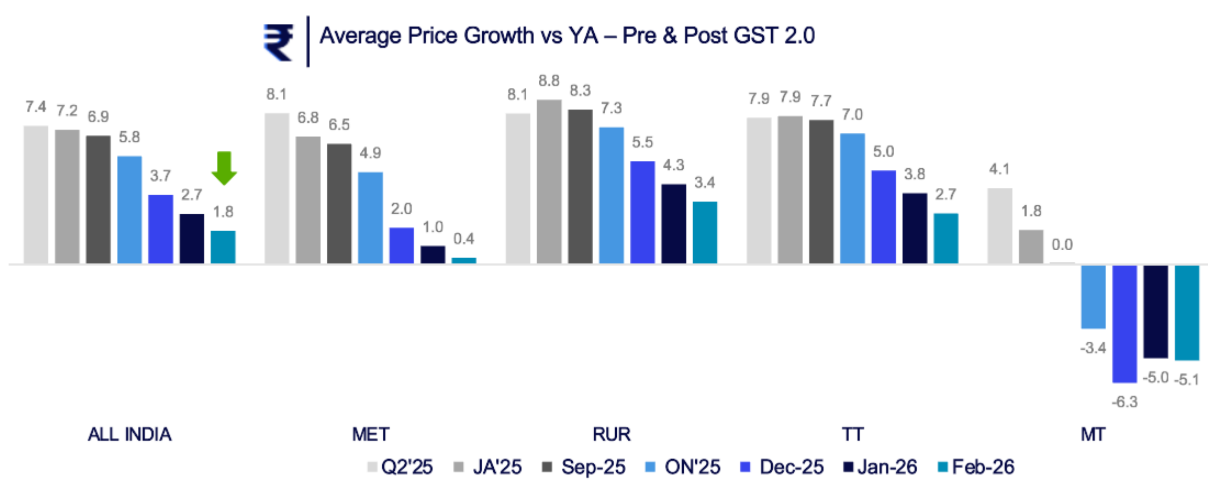
GST 2.0

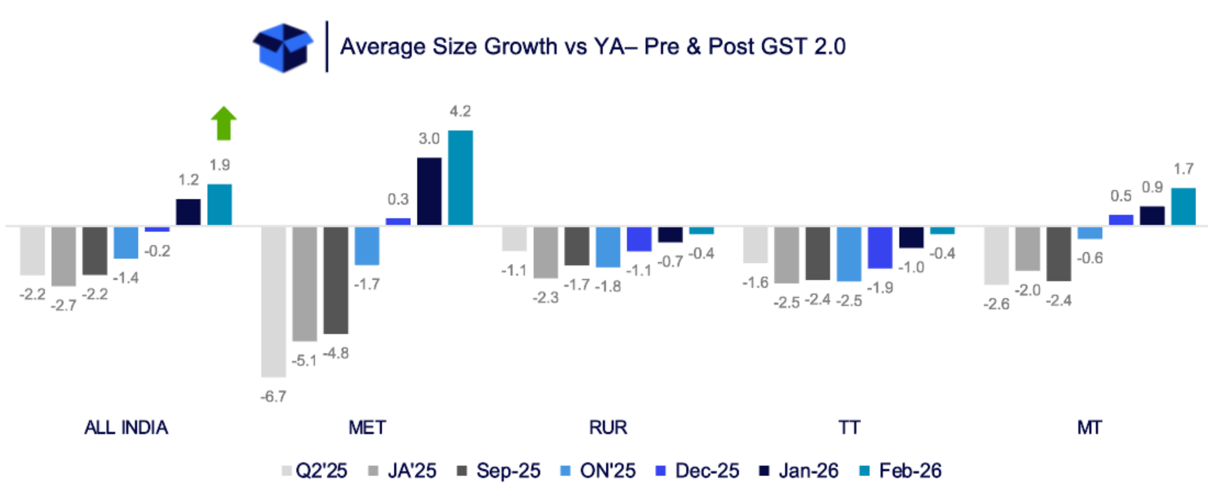
Any change in a big market like India takes time to stabilize, same is being witnessed in the last few months post GST roll out.

While FMCG volume growth dipped to 1.3% in Feb from a peak of 6.0% in Q2 2025, it is interesting to note that the categories where GST reduction is minimal has witness less disruption in market as compared to categories where the GST reduction has been significant.

Bottom chart depicts the acceptance of GST 2.0 by pop strata and channels. While Modern Trade channel has adopted to this change immediately by reducing the prices significantly, Tradition trade has been struggling to pass on the price change with first focusing on liquidating the old inventory.

Consumer in Metros has been lucky to witness price drop via adjusted grammage increase for their categories, rural consumers witnessed direct price reduction to easy their spends.





02
Price Elasticities

With Inflation at the center, it is important to understand which categories react more to price change and how consumers are smartly working towards walking a tight rope. This sections will help Manufactures and Retailers to understand which are the categories where consumers will react more to price changes. One size fits all strategy may not work across categories.

02
Price Elasticities

Inflation at the center stage

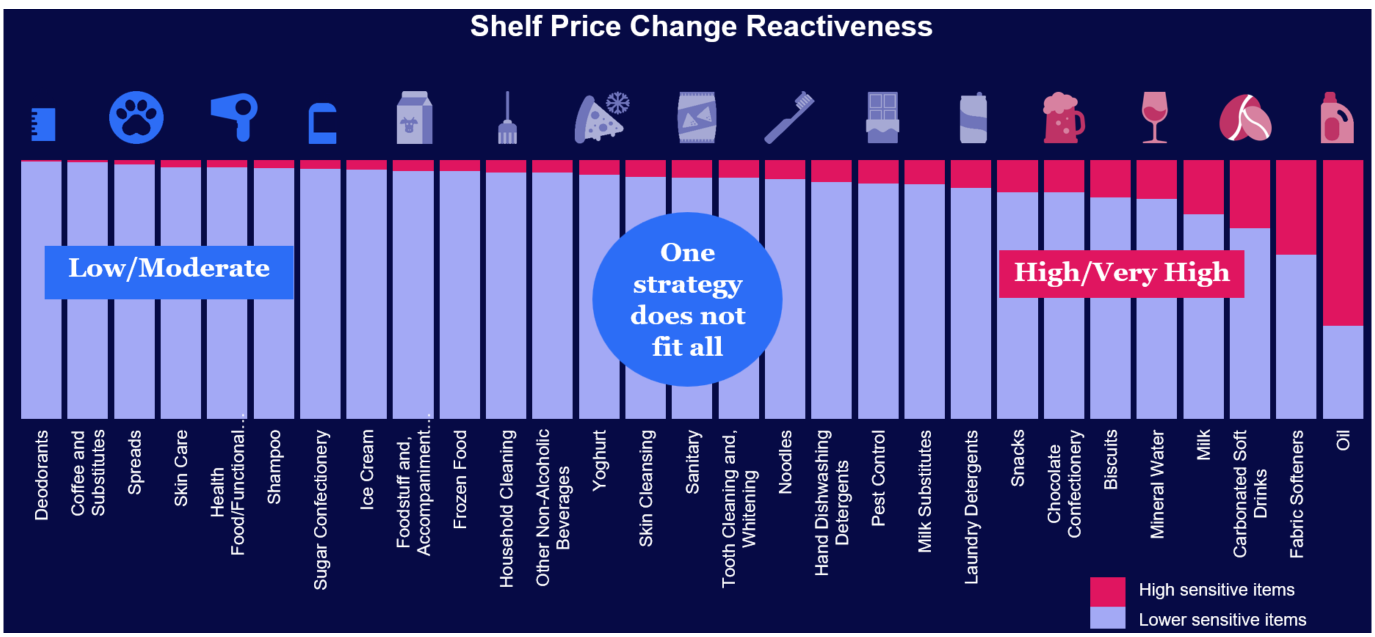
Inflation takes center stage in India's personal concerns, Environmental and healthcare issues loom large, while economic fears recede

Rank of personal concerns	India	∆ from global	∆ from Developing Asia
Inflation and high prices	1	0	0
Environmental pollution	2	+3	+1
Climate change/global warming	3	+1	+2
Cost of healthcare	4	+2	+3
Crime and lawlessness	5	+2	+6
Educational quality	6	+2	0
Recession and unemployment	7	-4	-5
Money enough to live right and pay the bills	8	-6	-4
Religious extremism/ fundamentalism	9	+9	+7
Misinformation presented as fact	10	+4	+4
Economic inequality in my country	11	-2	-3
Personal information getting into the wrong hands	12	+1	-2

02
Price Elasticities

Food Categories are more price sensitive than non- food categories

One size does not fit all and important for manufacturer and retailers to take SKUs wise decision



02

Price Elasticities

India as compared to other APAC markets is less sensitive to price change. However, consumers in India have become more price sensitive when compared to 2 years ago

APAC AVERAGE: -1.9
(Year 2025- MT)

India in 2023
-1.3

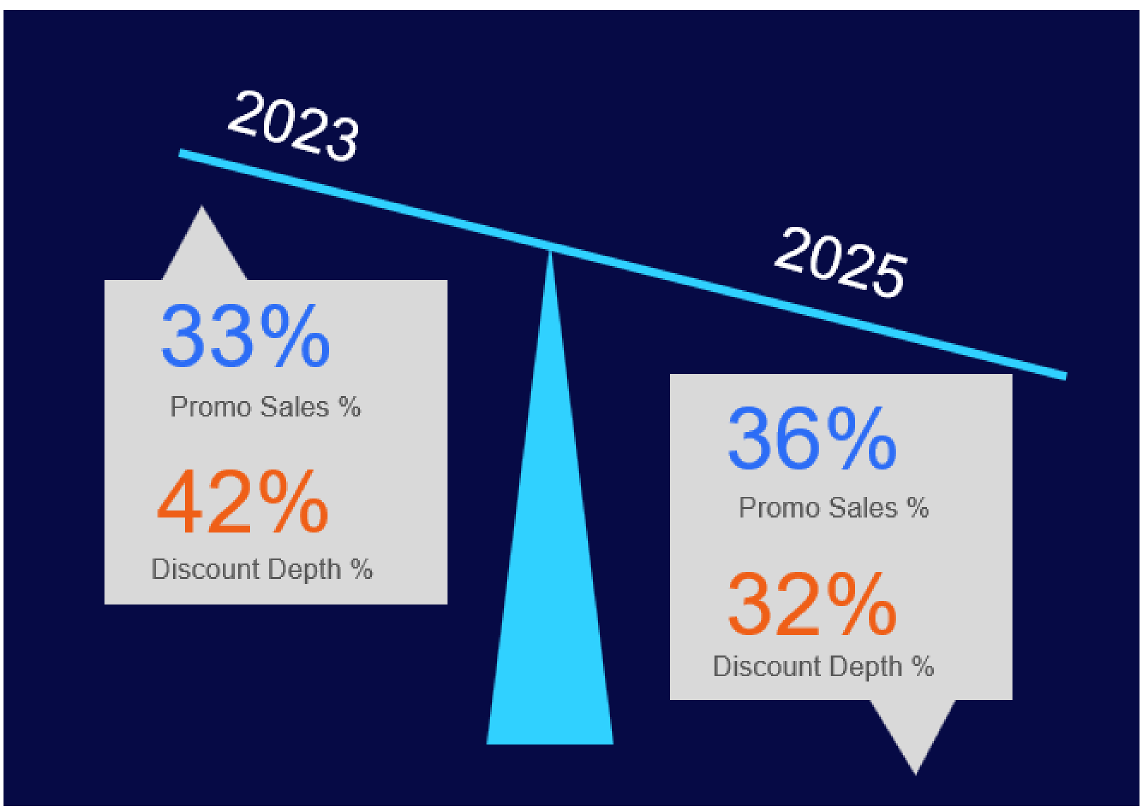
03
Price discounts and promotions

Are Indian consumers spoilt for choice? This section helps manufacturers and retailers assess whether they are leaving too much value on the table. Are promotions truly incremental, or are manufacturers offering excessive discounts due to fear of losing consumers to competitors?

03
Price discounts and promotions

Promotion Play

While the contribution of promotion has increased, the depth of promotions has gone down by 10 points in last two years implying that Manufactures are running a longer promotion to increase footfall but the depth of discounts has gone down significantly due to price pressure

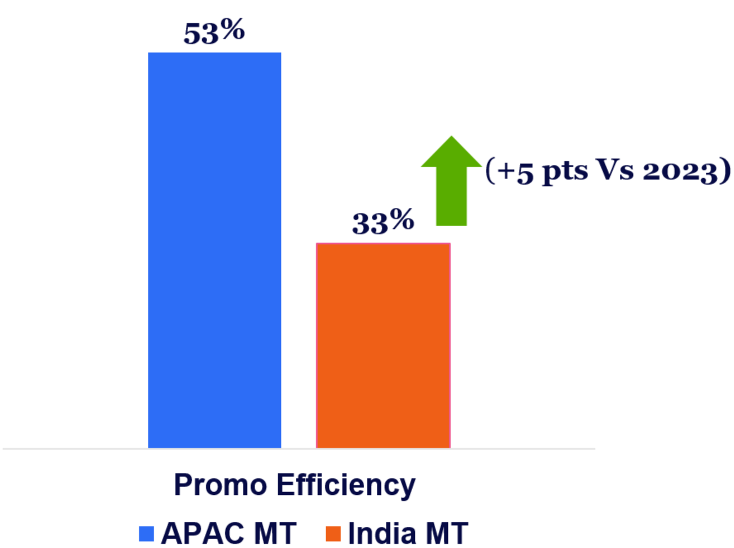


MT Everyday Analytics 2025

03
Price discounts and promotions

Not all promotions lead to incremental sales

There is a lot of money Manufacturers and Retailers are putting on the table. During the high inflation times, adjust the right lever to increase margins



Effectiveness of Promotions

$3 billion of FMCG sales in India are driven by price discounts in the Modern Trade channel. Of this, only 33% results in true incremental sales. Manufacturers and retailers lost $337 million due to excessive discounting.

To address this, manufacturers need to rationalize discounting by understanding the right promotion mechanics—frequency (how often and for how long promotions run) and depth (how deep discounts are versus average selling price). Critically, they must also evaluate whether a SKU is genuinely responsive to discounts or if consumers are relatively insensitive to the offers provided.

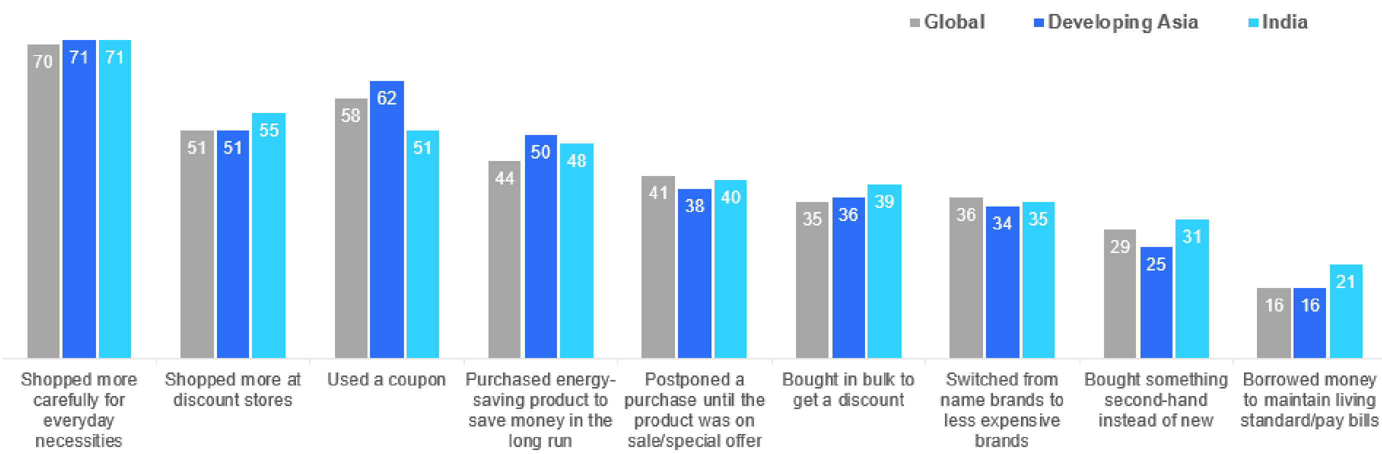
04
Consumer Lens

How Packaging, Sizing, and Channels Shape Price Perception in India

This section explores how Indian consumers respond to pricing through pack architecture and size choices, and how brands balance affordability with value perception. It also highlights the role of innovation and the impact of up-sizing and down-sizing strategies. The analysis also incorporates India-specific consumer outlook insights, highlighting how preferences differ for large versus small packs and how price sensitivity and pack choices vary by channel—including e-commerce, Traditional Trade (TT), and Modern Trade (MT).

04
Consumer Lens

% who have done the following money-saving shopping activities in the past year



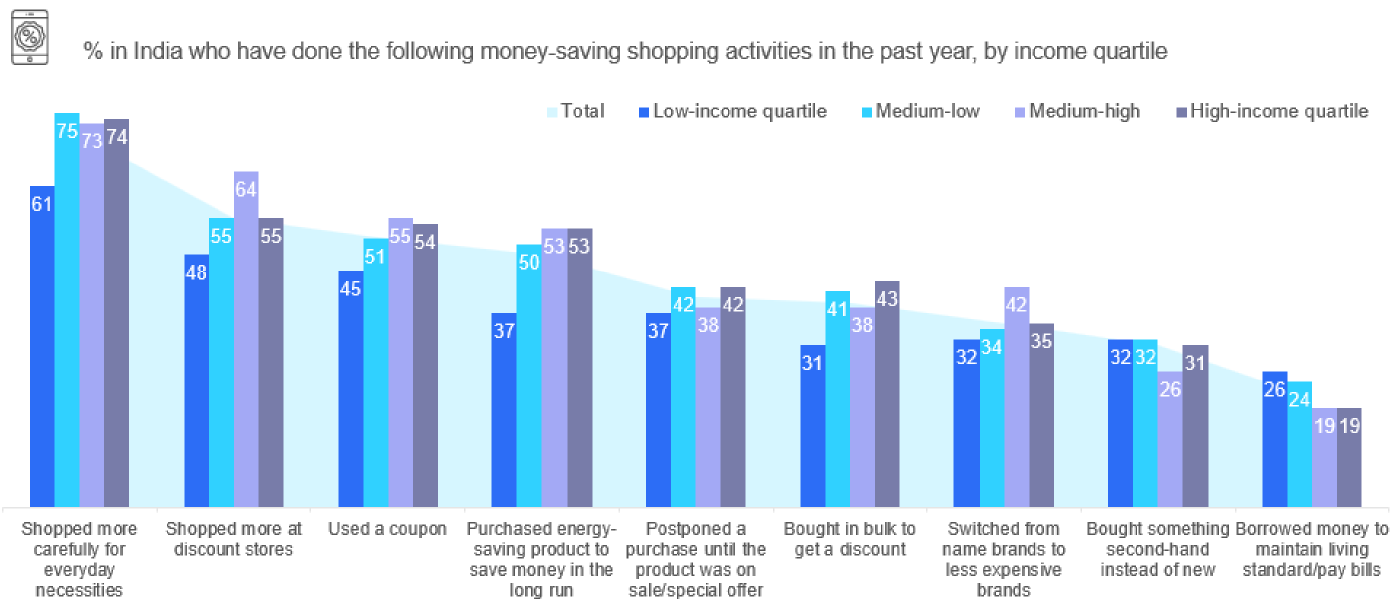
Cost-saving strategies dominate Indian shopping habits

Indian consumers are currently operating in a structurally cost-conscious environment, where value management has become an everyday behavior rather than a cyclical response. A significant majority of shoppers report actively tightening control over discretionary and non-discretionary spend—shopping more carefully for everyday necessities, increasing reliance on discount stores, and proactively seeking savings through coupons, promotions, and bulk purchases.

What is notable is that India is not only aligned with broader Developing Asia trends but, in several behaviors, over-indexes versus global averages. Consumers are more willing to postpone purchases until offers are available, switch from established brands to lower-priced alternatives, and adjust pack choices to manage out-of-pocket spend. The prevalence of bulk buying alongside deal-seeking also signals a bifurcated mindset: consumers are simultaneously prioritizing affordability and value maximization, depending on cash availability and consumption cadence.

For pricing strategy, this reinforces that **the consumer is no longer responding primarily to headline price**, but to how price is presented—through pack size, promotion mechanics, and channel context. Price-pack architecture, entry price points, and visible savings cues increasingly determine choice, particularly in everyday categories where spend scrutiny is highest.

04
Consumer Lens



Income disparity drives divergent money-saving strategies

While cost consciousness is broad-based, the underlying behaviors differ materially by income cohort—introducing complexity for one-size-fits-all pricing approaches. Lower-income consumers skew more heavily toward basic affordability strategies, including tighter control on essentials, postponing purchases, and, where necessary, substituting consumption. For these shoppers, smaller packs, sharper price thresholds, and controlled absolute spend remain critical.

In contrast, higher-income consumers are equally disciplined—but in different ways. They are more likely to shop carefully, actively use discounts, buy in bulk to secure value, and selectively trade down brands without exiting categories altogether. This cohort's behavior validates that value-seeking is no longer confined to income-constrained segments; it has become a rational, deliberate choice even among consumers with greater spending power.

The implication for pricing is clear: **India is not a single value curve but multiple, co-existing value ladders.** Effective pricing must flex across income segments—supporting low entry packs and defensive affordability for lower-income groups, while enabling up-sized formats, bundles, and differential value offers for higher-income consumers. Importantly, these strategies must be executed with channel discipline, as income cohorts map differently across Traditional Trade, Modern Trade, and e-commerce.

04
Consumer Lens

What this means for pricing decisions?

Together, these insights establish the foundation for why pack architecture, sizing strategy, and channel-specific pricing now sit at the core of winning in India. As consumers recalibrate spend behavior with intent and sophistication, pricing effectiveness will depend less on across-the-board price moves and more on precision—right pack, right size, right price, in the right channel.

Direct pricing

- Validate future price points
- Confirm promotion with new price points

+

Indirect pricing

- Optimize SKU-mix
- Optimize pack/price architecture
- Optimize promotion strategy
- Build pricing power with innovation and renovation

=

8% pts

Better revenue performance from full price/mix vs. price increase only

Validating the Impact: Why Price Alone Is Not Enough?

This consumer reality is already reflected in observed revenue outcomes. Across recent pricing engagements, we see that organizations that move beyond price increases alone—combining direct and indirect pricing levers—deliver materially stronger performance.

As shown, a full price-mix approach, where direct pricing actions (such as validating future price points and aligning promotions to new prices) are complemented by indirect pricing levers (including optimized SKU mix, pack-price architecture, promotion strategy, and innovation-led pricing power), delivers ~8 percentage points higher revenue performance versus price increases in isolation.

In practical terms, this means that winning pricing strategies in India must explicitly integrate price-pack architecture, SKU rationalization, and promotion design alongside headline price decisions

04 Consumer Lens

From Pricing Strategy to Price-Pack Execution

The evidence clearly shows that superior revenue performance is achieved not by price action alone, but by orchestrating direct and indirect pricing levers in tandem. One of the most powerful—and often under-leveraged—of these indirect levers is **price-pack architecture.**

It is tempting to view package size decisions purely through a financial or cost lens, particularly when modifying existing SKUs to manage price points or margins. However, pack architecture only creates value when it aligns with **how consumers think, compare, and shop the category.** When pack sizes drift away from category norms or established reference points, even well-intended changes can introduce friction, confusion, and ultimately lost demand.

Recent work in the laundry category illustrates this clearly. Holding price constant, consumer preference peaked at familiar and easily comparable pack sizes—40 loads and 50 loads—while a 47-load pack significantly underperformed. Despite being economically rational, the 47-load format disrupted mental price and size benchmarks, making comparison difficult and reducing purchase likelihood. The lesson is simple but critical: **pack sizes must be intuitive, not just efficient.**

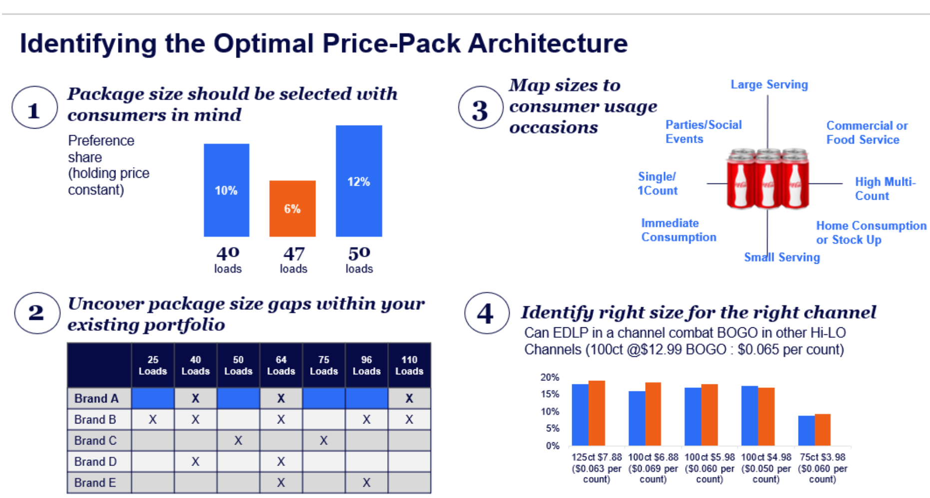
Beyond optimizing individual SKUs, the broader growth opportunity lies in **evaluating the portfolio's price-pack architecture relative to the category landscape.** A structured assessment of pack sizes versus key competitors often reveals white spaces—missing sizes at entry price points, gaps in mid-tier value packs, or underdeveloped bulk formats. These gaps can limit relevance across consumer segments and constrain growth, especially in value-sensitive environments like India where consumers actively trade between sizes to manage spend.

04
Consumer Lens

A third—and increasingly important—dimension is **mapping pack sizes to distinct usage occasions**. Pack size is not merely a value equation; it is a usage signal. Different sizes unlock different moments of consumption—from immediate and single-use occasions to stock-up, family, or social consumption. Coca-Cola's introduction of mini-cans in response to health and sugar-reduction trends demonstrates how resizing can protect relevance, unlock incremental occasions, and complement larger formats rather than cannibalize them. A well-designed size ladder allows brands to grow penetration and incrementality across the portfolio.

Finally, pack architecture plays a direct role in physical availability and channel access. Different channels reward different pack economics. Formats that perform well in Traditional Trade may not unlock distribution in Modern Trade or e-commerce, and vice versa. In some cases, brands lose distribution simply because they lack the "right" pack size for a given retailer or channel economics. Aligning pack sizes to channel needs materially increases total distribution points—one of the most reliable drivers of incremental volume.

Implication: As consumer behavior becomes more deliberate and value-oriented, price-pack architecture emerges as a core execution engine of indirect pricing. **It enables brands to meet consumers where they are—by size, occasion, and channel—while strengthening pricing power and revenue outcomes.**



04
Consumer Lens

Protecting Unit Penetration: The Role of the Magic Price Point

While price-pack architecture is a powerful indirect pricing lever, India adds a critical constraint—the need to **protect unit penetration through entry-level packs**. In many categories, entry packs are the primary access point for consumers and play a disproportionate role in sustaining volume.

Our experience across India and Asia Pacific shows that **simply increasing entry-level prices rarely works.** Breaching established "magic price points" leads to immediate unit loss, with price increases failing to offset volume decline. As a result, premiumization through price at the entry tier is not a viable strategy.

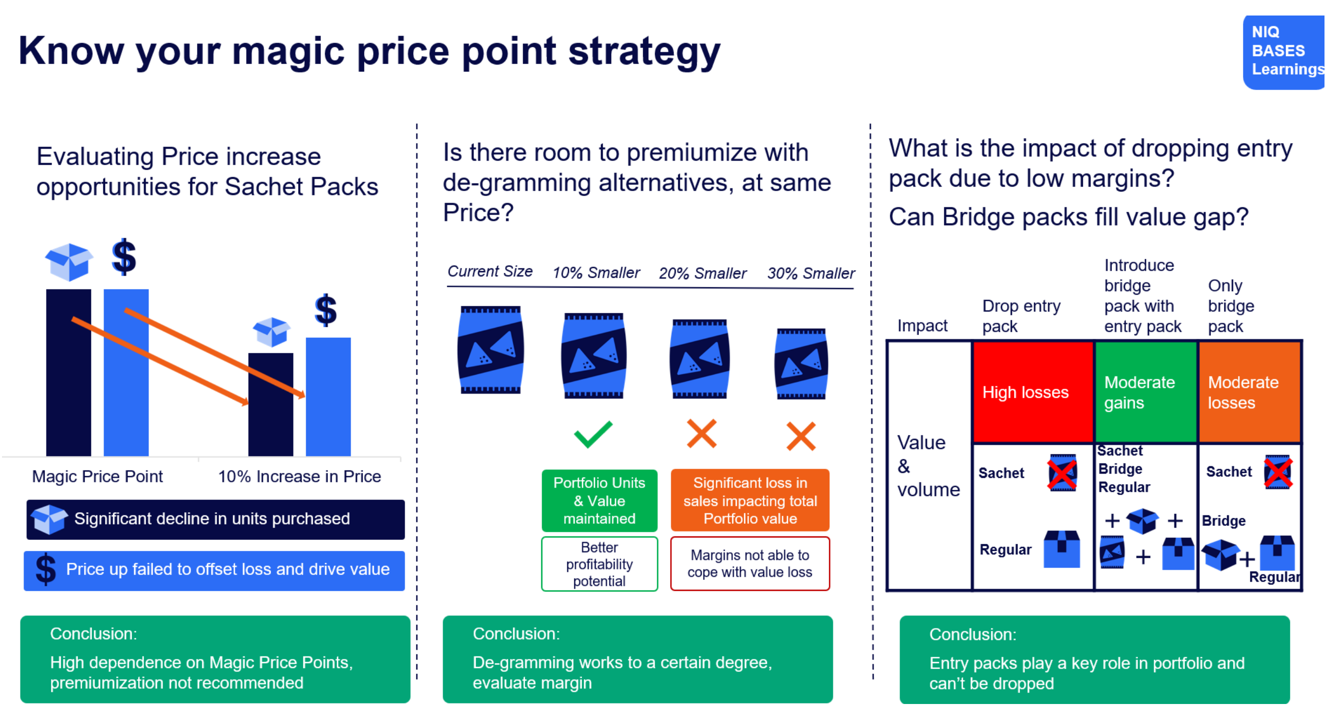
Three alternative levers emerge:

- **Defending the magic price point** remains essential to sustain participation and scale.
- **Selective de-gramming** can work, but only within limits—modest size reductions (≈10%) may preserve units and value, while aggressive de-gramming erodes demand and margins.
- **Bridge packs** can support consumer up-trading, but evidence shows they cannot replace entry packs in categories dependent on affordability. The strongest architectures retain entry packs and layer bridge packs alongside them.

04
Consumer Lens

Protecting Unit Penetration: The Role of the Magic Price Point

Implication: In India, for categories where entry packs play a major role in driving participation and unit penetration, effective price-pack architecture must first protect the entry tier. Mix and value can then be engineered through calibrated sizing, selective de-gramming, and pack progression. In these categories, weakening or removing entry packs carries a high risk of volume erosion and long-term value loss, underscoring the need for category-specific pack and pricing decisions.



05
Case study

Navigating market uncertainty in real time

In an ever-evolving marketplace, dynamic pricing and portfolio strategies provide the forward-looking simulations needed to navigate unforeseen challenges effectively. Our research and real-world applications demonstrate that during periods of economic uncertainty, consumer behavior shifts significantly—altering price elasticity and impacting unit sales.

05
Case study

How sweet it is: A leading chocolate brand found its path forward

Consider a recent example of market shifts—namely, the sharp rise in cocoa prices, which significantly affects manufacturers reliant on this key ingredient. When faced with such a scenario, companies typically explore a range of strategies:

- Short-term solutions, such as downsizing pack sizes or raising prices to manage cost pressures
- Long-term innovations, like reformulating products to reduce cocoa dependency or launching new alternatives to maintain profitability

Each of these strategies comes with tradeoffs. Some may sustain margins but risk volume loss, while others drive growth but require significant investment.

The key question for manufacturers is: Which strategy provides the safest and most profitable path forward?

05
Case study

A global chocolate manufacturer client faced precisely this dilemma. With rising cocoa costs threatening their margins, they turned to our powerful Line & Price Optimizer, powered by BASES (LPO) simulation tool. With it, they explored multiple pricing and portfolio scenarios to determine the best path forward.

The simulation provided actionable insights that helped the manufacturer answer these critical questions:

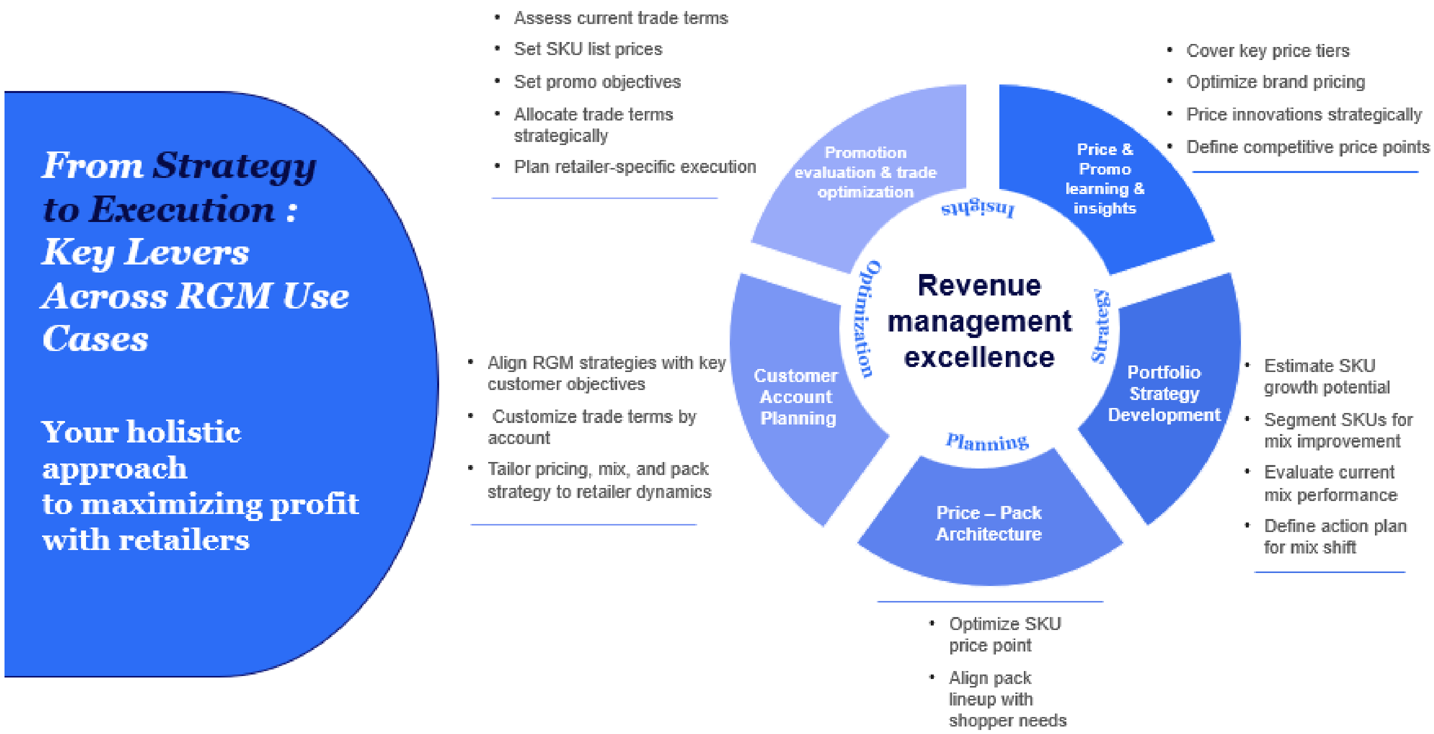
- How would consumers react to future pricing strategies never before tested in the category?
- Which new SKUs and pack sizes offered the greatest incremental potential?
- What would be the combined impact of multiple portfolio adjustments at once?

Armed with these insights, the manufacturer implemented a three- pronged strategy:

1. Downsize pack sizes to maintain accessible price points
2. Adjust pricing on the most popular pack to maximize margin
3. Introduce two high-potential innovations to drive incremental revenue

The result is a 9% improvement in revenue performance, proving that a data-driven, holistic approach to line and price optimization can unlock significant growth—even in challenging market conditions

06
Closing remarks



Closing Perspective: From Insight to Revenue Management Excellence

This paper establishes a clear through-line—from how Indian consumers perceive and respond to price, to how pricing and promotions perform in practice, and ultimately to how organizations must execute to win in an increasingly complex environment.

Indian consumers today are deliberate, value-seeking, and highly responsive to how price is constructed—not just what the price is. At the same time, pricing and promotion analysis shows that value leakage is common, whether through ineffective price increases, excess discounting, or undifferentiated promotions that fail to deliver true incrementality.

The path to superior performance lies in precision and orchestration, not isolated price actions.

06
Closing remarks

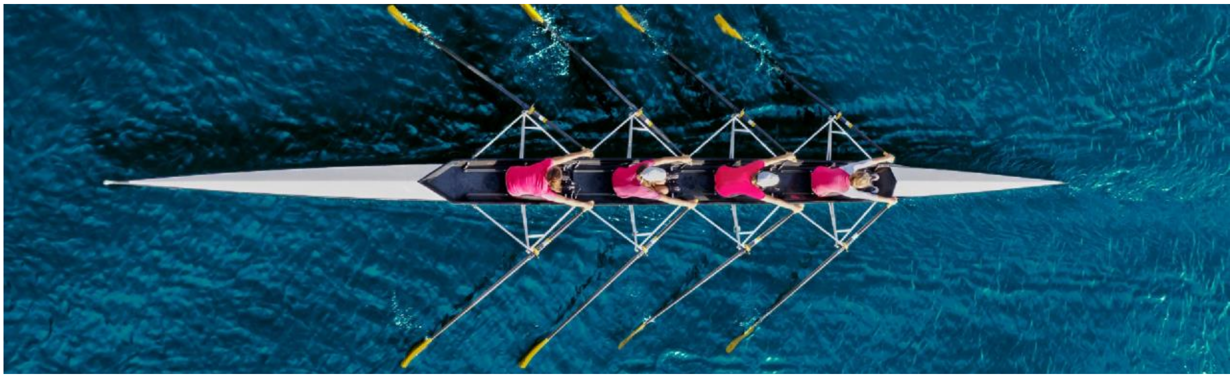
Revenue management excellence is created when pricing, promotions, portfolio strategy, and price-pack architecture are planned and activated as a connected system—supported by customer-specific execution and continuous learning.

This holistic approach enables organizations to:

- **Translate consumer insight into actionable price-pack and portfolio decisions.**
- **Balance unit protection and value growth through calibrated pricing and mix levers.**
- **Optimize promotions for true incrementality rather than volume shifting.**
- **Align execution across retailers, channels, and key price tiers.**

Most importantly, it allows brands and retailers to respond dynamically to volatility—testing scenarios, anticipating consumer reactions, and adjusting execution in near real time.

In conclusion, winning in India's pricing environment requires moving beyond fragmented decisions toward a fully integrated RGM approach—one that connects consumer understanding, pricing and promotion strategy, and execution rigor. Organizations that excel at this transition are best positioned to protect volume, grow value, and deliver sustainable revenue performance in an unstable marketplace.



Content writers :

Amrita Srivastava
Global RGM leader

Vivek Gupta
Executive Director,
Business Partner

Shraddha Bhore
India RGM Leader

About NIQ

NielsenIQ (NIQ) is a leading consumer intelligence company, delivering the most complete understanding of consumer buying behavior and revealing new pathways to growth. Our global reach spans over 90 countries covering approximately 85% of the world's population and more than $7.2 trillion in global consumer spend. With a holistic retail read and the most comprehensive consumer insights—delivered with advanced analytics through state-of-the-art platforms—NIQ delivers the Full View™.

For more information, please visit www.niq.com.