International Journal of Advance and Applied Research
www.ijaar.co.in
ISSN – 2347-7075 Impact Factor – 8.141
Peer Reviewed Bi-Monthly
Vol. 6 No. 42 November - December - 2025

Shortcuts to Profit: Investigating the Economics of Shrinkflation and Skimpflation

Dr. Pratima Balasaheb Kadam[1] & Mr. Preetesh Dilip Pathare[2]
[1]*Head of Economics Department, Mahatma Phuel Mahavidyalaya, Pimpri, Pune.*
[2]*Assistant Professor Smt. C. K. Goyal Art's and Commerce College Dapodi, Pune.*
Corresponding Author – Dr. Pratima Balasaheb Kadam
DOI - 10.5281/zenodo.17906080

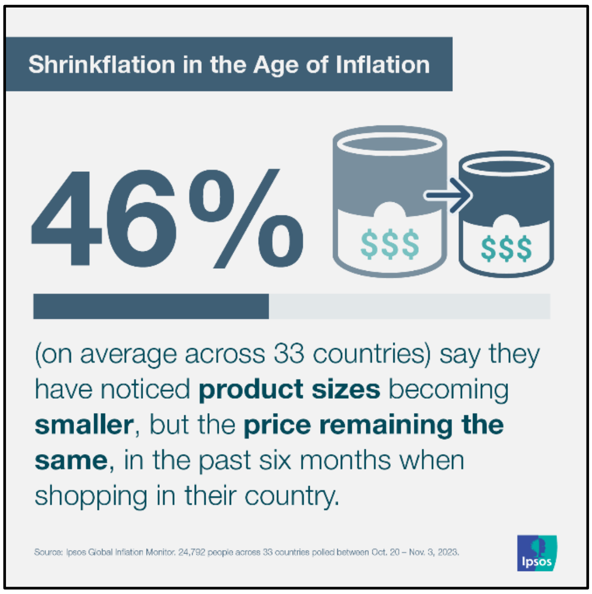
Abstract:

This research explores shrinkflation and skimpflation, where companies reduce product sizes or quality while maintaining prices, in response to inflation. It examines real-life cases from brands such as Parle G, Doritos, Gatorade, Toblerone, and Snickers, demonstrating how businesses adjust to rising costs without explicit price increases. The economic rationale is analyzed, highlighting studies that show consumers are more sensitive to price changes than to size reductions. Behavioral economics concepts, such as loss aversion and the silver lining effect, are used to explain consumer reactions to shrinkflation. A case study on PepsiCo illustrates how corporations employ these strategies, despite rising revenues, prompting scrutiny from policymakers, including the U.S. Senate. The paper also discusses policy responses from countries like South Korea and France, which impose penalties on companies that fail to notify consumers about product size changes. An analysis of consumer behavior reveals a growing preference for quality over price, with many opposing shrinkflation tactics. The paper concludes by emphasizing the importance of consumer awareness and smarter purchasing decisions in an environment where shrinkflation is increasingly prevalent.

Introduction to Shrinkflation and Skimpflation:

We all might be familiar with the macroeconomic term inflation which is defined as too much money chasing too few goods in layman terms. Inflation is measured in every country to keep track of their economy's health and to adjust economic policy accordingly to avoid extreme situations like recession in the market. Few dimensions and terms related to inflation have gained popularity recently with its negative effect on the customer welfare. Terms like Shrinkflation, Skimpflation and Excuseflation are hidden forms of inflation which cause dangerous long-term effects even though the change is invisible to the average customer (Tanaji Salve and Jadhav, 2015).

Shrinkflation is the phenomenon where corporations reduce the size of the product while keeping the prices constant. These indiscernible changes in products are made with the use of creative packing, miniscule size reduction, indentation at the bottom of the package or using bigger outer packing and giving smaller actual quantity of product (Jadhav et al., 2025).



(Image Source: Ipsos Global Inflation Monitor)

On the other hand, Skimpflation is the business practice where the quality or availability of a product or service is reduced while the prices remain the same like watering down or diluting the to show more quantity. It leads to poor customer satisfaction and higher per unit price for the customer to bear. Excuseflation is a contemporary term which is used as companies increase the prices of their products blaming the economic, political and other social change as an excuse for the rise. These terms are heavily used by the companies in their favour but go unnoticed by the customer which results in actively hidden inflation (Dagde & Jadhav, 2024).

British economist Pippa Malmgren is credited with coining the word ‘Shrinkflation’ in 2009 which later got the attention of mainstream media through several interviews and evidences shown in favour of it. Though these terms are not new for any economists, the companies using these practices deny it to avoid negative brand image and rather promote how they have increased the size of the package when in fact they have reduced the quantity or quality to prevent company losses. The products and services affected from this range from food and snack items to toiletries and automobile updates (Jadhav, 2020).

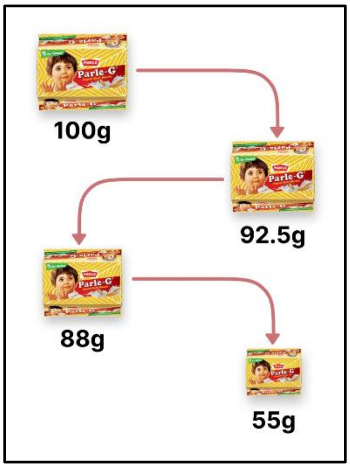
Real Life examples of Shrinkflation:

A University of Birmingham Business School blog titled ‘Shrinkflation and Skimpflation, a permanent loss in what your money can buy’, published in October 2023, cited research undertaken by Barclays Banks in June 2023 where 70% of the British public had noticed examples of shrinkflation in the products they bought, particularly in goods such as chocolate (46%), crisps (42%), packs of biscuits (37%), and snack bars (32%). The changes in the quantity or quality of products and services have a direct and severe impact on consumer wallets (Rathod et al., 2024).

Shrinkflation has been used by many companies globally but post pandemic the impact has drastically increased as the economy opened up again, the companies were eager to recover losses and found new ways to trick the customers (Bhave et al., 2024).

Parle G Biscuit:

The consistent price of the biscuit being ₹5 has attracted several generations and has helped Parle G maintain its best-selling biscuit tags for generation but since 1994 the unchanged price has compelled the company to compromise on the size and the quality of the biscuits so as to adjust inflation which calculated from 1994 to present day will give an accumulated rate of 527.2%. Parle G has reduced their product quantity from 100g to 92.5g to 88g to 55g while claiming that the constant price of ₹5 has not affected the product size; rather they use '20% EXTRA' on their packaging as a marketing tactic (Pawar, 2023).



(Image Source: LinkedIn)

Doritos Chips:

Doritos chips have been a fan favorite but their recent price hike has made customers suspicious where they are actively encouraging shrinkflation. The backlash from the customers reduced their sales and demanded an explanation which led to its representative publicly stating that the change in prices is a part of their on-going evolution (Bhave et al., 2022).

Gatorade Sports Drink:

Gatorade being a famous sports drink from the USA has also adopted shrinkflation as they changed their product packaging which now holds a lesser quantity of the drink comparatively. According to a representative of the company, this change in packaging by making it slimmer was to help the consumer get a better grip to hold the bottle (Bhave & Pawar, 2022).

(Image Source: BCC)

Toblerone Chocolate:

Toblerone chocolate being sold as a premium sweet had tried shrinking the product by adding more gaps between the hills but were quickly pointed out by the customers online which led to heavy backlash that made the company reconsider their decisions and re-evaluate the product design. Due to this customer feedback they were compelled to revert back as people started boycotting the products (Pawar & Wavare, 2022).

(Image Source: The Associate Press)

Hide and Seek Biscuit:

Hike and Seek biscuits have become staple in Indian households but with their recent design changes with more plastic packaging and lesser quantity of biscuits has made customers question their quality as the company simultaneously claims to give extra 20g by only increasing the size of the package which reduces the actual amount of biscuits (Wavare & Pawar, 2022).

(Image Source: LinkedIn)

Other Examples:

Several other products have been noticed to trick the customers like a brand-named Folgers coffee beans has claimed that due to their new technique of fluffing up the coffee beans they could fit only 43.5 ounces compared to the original 50 ounces in the same size of the packaging. Maggie noodles has reduced their quantity offered in the product without changing the size of the packaging by 25 gms as it used to sell 85 gm which changed to 70 gms and now to 60 gms of actual quantity for the same price. Snickers chocolate bar has reduced its quantity from 232 g in 2014 to 167 g in 2018 with consistent prices and no declaration of change in size or quantity. Lays chips has adopted shrinkflation sneakily by decreasing the quantity by only 20 gms which is still selling at the same price of ₹30. These real-life examples and case studies show us how we as customers can be easily manipulated by the companies and how important and urgent the need to spread awareness (Kamat & Pawar, 2024).

Economic Rationale behind Shrinkflation:

According to a research conducted by Harvard Business School, in most of the industries and markets, customers are more price sensitive and react to price changes more drastically than to size changes. With inflation at an all-time high and thereby affecting the producers' material and transportation cost which is rising due to supply chain snags, the companies adopt these practices to shift the burden on to the customer. If the increase in production costs are not adjusted in the product sales price, the company will incur losses (Mengal & Pawar, 2024).

Another factor responsible for shrinkflation is a severely competitive market which makes the company take these decisions in order to stay in the industry. In a competitive market, companies are constantly trying to find better ways to reduce costs and increase profits for their image and shareholders.

To understand the economic rationale, let's assume that a firm named Drittania is a cookie making company.

Sells = 100 cookies (weight 50gms)

Price = ₹1 each

Marginal Cost = 90 paise

Marginal Profit = 10 paise

After doing a market survey they find out that the Price Elasticity of Demand which is the percentage change of quantity to that the percentage change of price is -1 for the cookies. Drittania also knows that the Size Elasticity of Demand which is the percentage change in quantity to that of percentage change in size is -0.5

Price Elasticity of Demand = % Change of Quantity ÷ % Change of Price = -1

Size Elasticity of Demand = % Change of Quantity ÷ % Change of Size = -0.5

Drittania now faces a 10paise increase in marginal cost due to rise in flour and sugar prices which results in

Increase in Marginal Cost = 10 paise

New Total Marginal Cost = ₹1

However, Drittania wants to pass on the rising cost on to its consumer, it has two options to do so-

Option 1: Increase price by 10%

Increase in Marginal Cost = ₹1.1

Marginal Profit = 10 paise

Price Elasticity Effect = (10% × (-1) = -10%)

Which calculates to = 90 cookies sold (100 × -10%)

Total Profit = ₹9 (1 per cookie)

Option 2: Reduce the size by 10%

Marginal Cost = 90 paise

Marginal Profit = 10 paise

Size Elasticity Effect = (10% × (-0.5) = -5%)

Which calculates to = 95 cookies sold (100 × -5%)

Total Profit = ₹9.5

Clearly Drittania is making more profit by adopting the shrinkflation option that is Option 2 and it would go with it but if you notice closely we took the value of size elasticity of demand less conservative than price elasticity, which begs the question why not take these two values at the same levels. This question can be solved with the help of Behavioral Economics principles which allows the firm to favour shrinkflation over regular price increase.

Behavioral Economics and Shrinkflation:

Shrinkflation as a methodology is driven by a series of associated concepts, which help drive a unit economics of the big organisations. The main principle in the associative cycle is known as the Silver Lining Effect, this principle states that people always tend to lean towards a situation which offers them small gains and a larger loss as compared to the situation which only offers net outcomes as a smaller loss.

To Put it in practical terms, if I offer you reduction in price of 2%, which is smaller gain along the reduction factors of say 5% and on the other hand if I offer only a reduction of 3% in pack size, the consumers will always be inclined towards taking a smaller gain and larger loss due to the silver lining effect.

But the question arises, why does the silver lining effect work at all? Silver lining effect is driven by the behavioural economic concept known as Loss Aversion Theory, this theory states that people always, at all times perceive the pain of losing far more troubling than the pleasure of game. So for example, losing ₹500 is always more disturbing than giving the same amount. Thus loss aversion gives foundation to silver linings effect. But loss aversion alone does not contribute towards shrinkflation's rise and rule.

There is another concept which works along with a loss aversion and forms a part of the associated thing. This concept is known as Automatic Cognitive Response, simply put, is the action of our brain and senses, which we take without much thinking and effort, and thus know the details which were actually meant to be noticed. For example, we as consumers are presented with smaller pack sizes, but we choose to ignore the details of how much smaller is the pack than before and how much dollar is taking on our hard-earned money. Instead our mind tells us that the packaging might have changed or since they are offering 2% off on price. Now because of the silver lining effect, it is automatically already better in our head so shrinkflation is basically nothing but playing on the behavioural psychology of consumers with the proven aspects of automatic cognitive responses coupled with loss aversion.

(Image Source: Ipsos Global Inflation Monitor)

As shown in the image above, almost 22% of people say it's acceptable for businesses and retailers to reduce the size of their products while keeping prices the same as a way of responding to rising costs and a similar proportion of 23% seems unbiased about the practice and say it's neither acceptable or unacceptable.

While shrinking and skimping has led to consumer backlash in the past, it's seemingly only become more common in this pricey post- pandemic economy. Given the financial pain many are still feeling, it's not a shock that almost 48% think it's unacceptable for businesses or retailers to use shrinkflation as a way of responding to rising costs.

Out of 33 countries where Ipsos did polling, people in France are the most likely (67%) to say shrinkflation is unacceptable.

Corporate Strategies - PepsiCo Case Study:

The companies use the excuse of inflationary pressure to justify their shrinking of products or increasing prices. To elaborate how corporate strategies work and are implemented, follow this PepsiCo case study.

PepsiCo, the food and beverage manufacturer, reported net revenue growth of 6.7% for the third quarter, beating analysts' expectations, and revised its full year guidance for core earnings per share upward from 12% to 13%. However, the company's global sales volume was down 2.5% for the quarter, and volume for North American beverages was down 6%. The company raised prices to keep pace with inflation and higher commodity prices, which likely affected volume. Pepsi raised prices 11% from July through September, its seventh straight quarter of double-digit price increases and the company states that the price will continue to increase into 2024.

(Image Source: iPleaders)

Pepsi is also reducing portion sizes and the fat, sodium and sugar content of its products in response to consumer demand for healthier foods, according to Ramon Laguarta, CEO of PepsiCo. This move towards more nutritious options is "one of our key strategic pillars", he said.

After Walmart President and CEO John Furner told Bloomberg that customers taking the weight loss drugs were buying less food and food with fewer calories, shares of both Pepsi and Coke dropped, marketwatch reported. Pepsi has responded to decline in sales volume by decreasing portion size and shrinking value packs, making them more affordable while still charging the same prices which from the customer's perspective is Shrinkflation affecting them directly.

On December 13th 2023, a letter from the United States Senate was sent to the American Beverage Association to control the rising prices that the customer has to bear, while the Federal Reserve data show that corporate profits rose five times as fast as the rate of inflation from July 2020 to July 2022 and accounted for 41% of inflation during America's post pandemic recovery. The American Beverage Association (ABA) represents hundreds of non-alcoholic beverage producers, distributors and franchise companies. The Senate also mentioned several companies by name like Coca-Cola Company and Pepsico.

He also stated how corporations may reduce the size of the container by a few ounces, or increase the divot at the bottom of a jar, all while maintaining the same prices or even increasing them. Unfortunately, product sizes do not typically return to normal with time. If shrunken products are later "upsized", corporations often advertise them as "bonus buy" or "more for the money" and sometimes sell them at a higher price.

Policy Perspectives and Ethical Considerations:

The tricks played by manufacturers include putting more air in an airtight container and under filling the product without reducing their price, enlarging the hole of the toothpaste tube so that it runs out faster, artificially raising the price and then announcing discounts, making some minor changes to the product of a well-known and trusted brand and selling it at a higher price as a premium product, shampoo manufacturers forming cartel and not supplying sachets in particular area forcing consumers to buy big bottles etc.

Although these tricks are not illegal per se they cause deception of the consumer. In a country like ours where consumer awareness is low, the government departments of consumer affairs and protection should take measures to bring to the notice of the consumers these subtle changes in products. According to the Consumer Protection Act and other regulations, it is mandatory to prominently print the information about the raw materials and their weight on the packaging of the product. It should be seen whether it is followed strictly or not. Awareness should be created among the consumers for checking the details of the product. By doing so, at least he will be fully informed about the product and will thus become an informed and empowered consumer.

From the above examples we can clearly see that shrinkflation has affected our daily life and should be properly disclosed at least so that the customer can make a fully informed decision. While business practices like shrinkflation and skimpflation do not violate or break any laws, they are still considered to be unethical and deceptive. Many economists debate over this dilemma if shrinkflation is deception or just good business moves as it results in higher profits, while looking from the customer’s perspective it evidently proved to be deceptive and affect the customer’s trust and brand loyalty in the long term.

Since May 2024, South Korea has implied heavy fines as per their antitrust regulator which describes that any food maker or food supplier who has reduced the quantity and size of the product should display a sticker on the package for minimum 3 months to notify the shoppers of the change, failing which they would have to face a fine up to 10 million Won ($7300). Similar rules are being adopted by France where any cut in sizes are to be declared publicly and informed with a sticker on the product for a minimum 2 months so that the customers are aware of the changes. Such policy changes and penalties should be adopted by India to protect and prioritize the consumers' trust over corporate greed and mistreatment.

Consumer Behavior and Brand Loyalty:

So, concerned by the impacts of shrinkflation on United States of America consumers, President Joe Biden took to social media in February 2024, on the eve of the Super Bowl to lament its impacts and called for an immediate stop of the practice by major USA producers. Far from being limited to one specific country, the phenomena of shrinkflation and skimpflation have taken on rising significance even in developed markets. Producers face risks of consumers who are cash-strapped buying less of the product or opting for other cheaper alternatives altogether. In an economy faced with a prohibitive cost of living due to rising prices, consumer brand loyalty becomes less guaranteed, and premium brands may risk losing market share should they employ such tactics.

According to a survey conducted on consumer behaviour to shrinkflation and skimpflation, 49% of the customers have switched to a different brand and around 37% of the customers have started to buy in bulk in order to avoid these tactics. The consumers urge the retailers to highlight the difference in size or ingredients as well as have good quality assurance while trading. The shopkeepers have started to return the products affected by shrinkflation as the customers' demand change and consumers become more aware of these practices. Many customers have canceled their subscription plans due to poor quality and higher prices in both products and services.

(Image Source: Ipsos Global Inflation Monitor)

Consumers nowadays have grown to be more quality concise and prefer the organic market rather than using chemically filled products and spending more while getting less. Few products like baby care items and medical necessities are categories where the customer cannot compromise on the quality of the product of their own and their family's safety and health. Another example of quality concise customer is the change in the mobile sim card plans over the years, earlier what used to be a ₹50 recharge a month as per callings requirement has now increased to more than ₹500 subscription plan with unlimited calls but now focusing on mobile data as a variable. Despite the drastic rise in prices, customers now prefer convenience and quality over being price sensitive and choose the cheaper option.

Big companies' blind us with the reality that despite inflation, they haven't increased the price when in fact they are mistreating the customers and making them the victim of shrinkflation and skimpflation. To safeguard ourselves and as responsible customers we must focus on the per unit price of the product and the net weight rather than the price consistency or changes in quantity as the former tells the real story. The customers have to be hyper vigilant and read the fine print rather than the bug flashy words written as a marketing tactic. If not the size of the product, then the companies compromise on the quality of the final product by switching to cheaper raw material like the change of sugar to corn syrup as a raw material in products.

Conclusion:

In conclusion I would like to point out how imperative it is to be a smart customer in this era with all the disruptive marketing and misleading advertisements. The real issue is that even after the pandemic has gone or the inflation rate come down, these companies won't change these business practises and will continue to trick their customers as once the companies train their customers of their products being a certain type, they don't increase or revert back to their original size and quality. Implementing stricter policies and fines with spreading awareness on this topic is necessary to stabilize the economy and run a market where both the parties involved enjoy the profits as well as products and services.

Both Shrinkflation and Skimpflation are causes and consequences of a high-inflation environment. So next time you go shopping for day to day products, especially FMCG products, do not give in to automatic cognitive response instead find the details in the pack size and the price offered on the product. It is our own actions which are helping these companies leverage principles that are just shrinkflation. In the end, being a vigilant consumer is always a smarter choice.

References:

1. Bhave, A. V., & Pawar, G. G. (2022). Accounting for Investments and Investment Avenues Selected by Investors in the Ratnagiri District of Maharashtra. Journal of Positive School Psychology, 6(11), 487–495. https://www.researchgate.net/publication/365617611_Accounting_for_Investm

ents_and_Investment_Avenues_Selected_by_Investors_in_the_Ratnagiri_District_of_Maharashtra

2. Bhave, A. V., Mengal, S. G., Wavare, A. K., Pawar, G. G., Sonawane, N. C., Ghadashi, S., Padhye, B., & Panchal, M. (2024). Job Satisfaction Among Female Workers In Cooperative Spinning Mills In Kolhapur District. The International Journal of Interdisciplinary Organizational Studies, 19(1), 53–63. https://www.researchgate.net/publication/377534331_Job_Satisfaction_Among_Female_Workers_In_Cooperative_Spinning_Mills_In_Kolhapur_District
3. Bhave, A. V., Wavare, A. K., Pawar, G. G., Mengal, S. G., & Solkar, N. A. R. (2022). Training Needs of Fisherwomen In South Konkan Region of Maharashtra State. Journal of Survey in Fisheries Sciences, 9(1), 740–745.
4. https://www.researchgate.net/publication/376797257_Training_Needs_Of_Fisherwomen_In_South_Konkan_Region_Of_Maharashtra_State
5. Dagde, S. B., & Jadhav, H. L. (2024). Research on International Trade as a Factor of Growth of Developing Economies.
6. Dunne, M. (2024, Jan 04). Data Dive: Shoppers noticing shrinkflation, skimpflation amid the cost-of-living crisis. Ipsos.
7. Gokhale, V. (2024, May 29). Patanjali, FMCGs, Shrinkflation and Skimpflation. Times of India.
8. Jadhav, H. L. (2020). Role of Commercial Banks in Agricultural Development of India. Studies in Indian Place Names, 40(64), 256-263.
9. Jadhav, H., Maind, S.N., Pandey, P.P., Pawar, G.G. (2025). Green Investment and Fintech: Financing the Blue Economy. In: Sharma, V., Singh, T., de Bem Machado, A., Rupeika-Apoga, R. (eds) FinTech for Sustainable Finance and a Well-Blue Economy. World Sustainability Series. Springer, Cham. https://doi.org/10.1007/978-3-031-92390-6_5
10. Joshua Fluke. (2024, Mar 17). Shrinkflation Exposed: How Companies Secretly Increase Profits [Video]. Youtube. https://youtu.be/PSFCw0Tju_E?si=PlVCDXLMZYFQcV2P
11. Kamat, M. A., & Pawar, G. G. (2024). An analytical study of Corporate Social Responsibility activity of Proctor & Gamble Hygiene & Health Care Limited. *VIKSIT BHARAT@ 2047*, 75.
12. https://www.researchgate.net/publication/379226625_An_analytical_study_of_Corporate_Social_Responsibility_activity_of_Proctor_Gamble_Hygiene_Health_Care_Limited
13. Mengal, S. G., & Pawar, G. G. (2024). Marketing Automations: Impact & Benefits [Print]. In *Recent Trends in Commerce, Management, Accountancy and Business Economics* (pp. 125–128). Rayat Shikshan Sanstha's, Abasaheb Marathe Arts and New Commerce, Science College, Rajapur Dist. Ratnagiri 416702.
14. https://www.researchgate.net/publication/379757315_Marketing_Automations_Impact_Benefits
15. Mindfulness by Vindo. (2022, Aug 13). How Shrinkflation Helps Corporates in Making Us Poor - Business Case Study [Video]. Youtube

https://youtu.be/1oPKcHcu16A?si=aN4uBmJ7GxfyqruX

16. Pawar, G. G. (2023). Role of Krishi Vigyan Kendra in Agricultural Development of Western Maharashtra [Ph.D Dissertation, Shivaji University, Kolhapur]. https://doi.org/10.13140/RG.2.2.27679.12967.
17. Pawar, G. G., & Wavare, A. K. (2022). Impact of interventions of Krishi Vigyan Kendra on knowledge level of soybean cultivators in Satara district of Maharashtra. Education and Society, 1(1), 387–394.
18. https://www.researchgate.net/publication/365727807_Impact_of_interventions_of_Krishi_Vigyan_Kendra_on_knowledge_level_of_soybean_cultivators_in_Satara_district_of_Maharashtra
19. PBS NewsHour. (2022, Jul 30). Manufacturers use 'shrinkflation' to pass costs on to consumers [Video]. Youtube. https://youtu.be/pldMZLL_HZk?si=PdD9_Ml3-PoRsUwv
20. Tanaji Salve,Tanaji Salve and Jadhav,H. L., 20153336871, English, Journal article, India, 2249-894X, 4, (12), Maharashtra, Review of Research Journal, (ROR-1860), Review of Research Journal, Import & export fisheries in India-challenges., (2015)
21. The Food Theorists. (2022, Apr 23). Food Theory: They're Stealing Your Food! [Video]. Youtube. https://youtu.be/P4fYVxP7Vkc?si=dQtsjlCyScC1a-hX
22. U. S. Rathod, S. A. Thomas, F. S. Maruti, P. Balasaheb Kadam, H. L. Jadhav and M. Jamal Bdair, "Reinforcement Learning for Sustainable Business Model Development in Social Entrepreneurship," 2024 Second International Conference Computational and Characterization Techniques in Engineering & Sciences (IC3TES), Lucknow, India, 2024, pp. 1-5, doi: 10.1109/IC3TES62412.2024.10877619.
23. Wavare, A. K., & Pawar, G. G. (2022). Recent Trends in Public Sector Expenditure on Agricultural Research and Extension in India. Shodhsamhita, 8(2), 359–365. https://www.researchgate.net/publication/365730080_Recent_Trends_in_Public_Sector_Expenditure_on_Agricultural_Research_and_Extension_in_India
24. Yergin, H., Gunsan, N., Yigenoglu, K. (2024). Real Inflation in the Context of Shrinkflation and Skimpflation. Journal of Academic Opinion.