

# Impact of Inflation on Cosmetic Buying Behavior in Indore and Bhopal

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## Abstract

Inflation, as a macroeconomic phenomenon, directly influences consumer purchasing power and market dynamics. While its impact on essential commodities has been extensively studied, the effect on semi-luxury and non-essential products like cosmetics remains relatively underexplored, especially in the context of Tier-2 Indian cities. This study aims to investigate the influence of inflation on cosmetic buying behavior among consumers in Indore and Bhopal—two rapidly urbanizing cities in Madhya Pradesh that represent unique consumer profiles and spending habits.

The research employs a comparative and descriptive design, gathering primary data from 200 respondents (100 from each city) through structured questionnaires. It examines variables such as purchase frequency, brand loyalty, spending behavior, and price sensitivity in relation to current inflationary trends. The data analysis reveals a notable shift in consumer behavior, with over 60% of respondents from both cities reporting a reduction in cosmetic purchases. Additionally, there has been a visible trend of switching from premium international brands to local and budget-friendly alternatives. While Indore consumers displayed a slightly stronger attachment to mid-range brands, Bhopal consumers were more inclined toward affordability and value-based choices.

Findings also indicate that inflation has caused a significant shift in consumer priorities—multi-functional products, smaller packaging units, and discount-based offerings are now key decision factors. Consumers are also displaying heightened price sensitivity, with spending on cosmetic items falling by an average of 15% in Indore and 12% in Bhopal. The research further highlights how demographic factors and city-specific economic exposure influence these behavioral shifts.

This paper concludes that inflation is not merely reshaping consumer budgets but is also redefining their value perceptions and brand relationships within the cosmetic industry. The insights derived can assist cosmetic brands and retailers in adapting their pricing strategies, product offerings, and marketing approaches to retain consumer interest in a high-inflation environment. Future studies may expand this research across different regions and product categories to develop a broader understanding of inflation's influence on discretionary spending.

**Keywords:** Inflation, Consumer Behavior, Cosmetics, Indore, Bhopal, Price Sensitivity, Purchasing Patterns, Economic Impact

## INTRODUCTION

Inflation is one of the most critical economic indicators that shapes the purchasing power of consumers and directly influences market demand. Defined as the general increase in prices of goods and services

over time, inflation alters consumption patterns, especially when it becomes persistent or unpredictable. While the effects of inflation on essential goods such as food, fuel, and healthcare have been widely examined, its impact on non-essential, discretionary spending categories—like cosmetics—remains less explored, particularly in the Indian context.

Cosmetics, often perceived as a mix of necessity and luxury, play a unique role in consumer psychology. In modern society, especially among youth and working professionals, cosmetic products are not merely about aesthetics but also about self-confidence, identity, and social presence. However, when economic stress such as inflation arises, consumers tend to reassess their priorities, leading to altered spending behaviors. This shift is especially noteworthy in Tier-2 cities like Indore and Bhopal, where a growing middle class is still balancing aspirations with affordability.

Indore and Bhopal, two of the fastest-growing urban centers in Madhya Pradesh, provide an ideal comparative landscape for this study. While both cities share several socio-economic similarities, their subtle differences in consumer exposure, market penetration, and retail culture offer valuable insights into how inflation may impact buying behavior differently in each location. In an era where beauty and grooming products have become mainstream across genders and age groups, understanding how inflation affects this segment can help brands tailor their strategies more effectively.

This research aims to bridge the gap between macroeconomic pressures and micro-level consumer decisions in the cosmetic market. By exploring how consumers in Indore and Bhopal are adjusting their buying habits in response to inflation, this study offers valuable contributions to both academic research and practical marketing strategies.

### OBJECTIVES OF THE STUDY:

- To examine the changes in cosmetic purchasing behavior due to inflation in Indore and Bhopal.
- To compare price sensitivity between consumers of the two cities.
- To assess shifts in brand loyalty and preference under inflationary pressure.
- To provide actionable insights for cosmetic brands to adapt their pricing and promotional strategies.

### REVIEW OF LITERATURE:

Various studies have shown that inflation impacts consumer behavior by altering purchasing priorities, especially in non-essential goods. The cosmetic industry, often perceived as semi-luxury, experiences volatility in demand during economic downturns. Research by Nielsen (2022) revealed a global shift toward affordable and value-based beauty products during inflationary phases. However, limited studies focus on Indian Tier-2 cities, which are emerging markets with unique behavioral patterns.

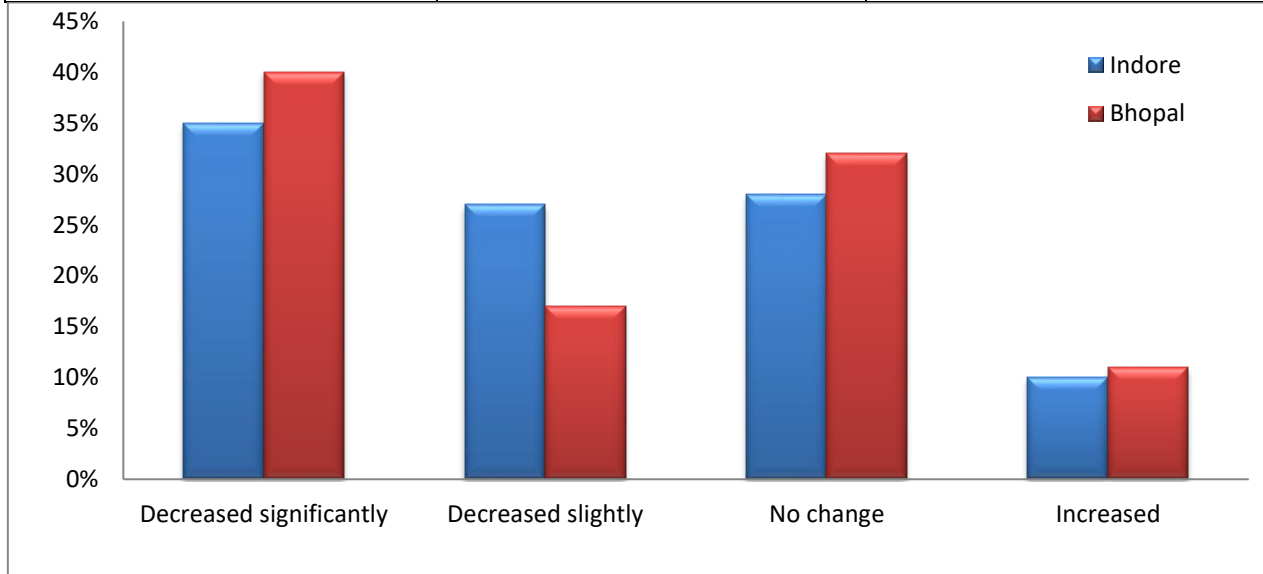
### RESEARCH METHODOLOGY:

- **Research Design:** Descriptive and comparative
- **Data Collection:** Primary data via structured questionnaires and interviews; secondary data from industry reports and academic journals
- **Sample Size:** 200 respondents (100 from Indore, 100 from Bhopal)
- **Sampling Method:** Convenience sampling
- **Data Analysis Tools:** SPSS, Excel for statistical analysis (mean, median, standard deviation, t-tests)

## DATA ANALYSIS & FINDINGS:

**Table 1: Change in Purchase Frequency Due to Inflation**

Response	Indore (%)	Bhopal (%)
Decreased significantly	35%	40%
Decreased slightly	27%	17%
No change	28%	32%
Increased	10%	11%

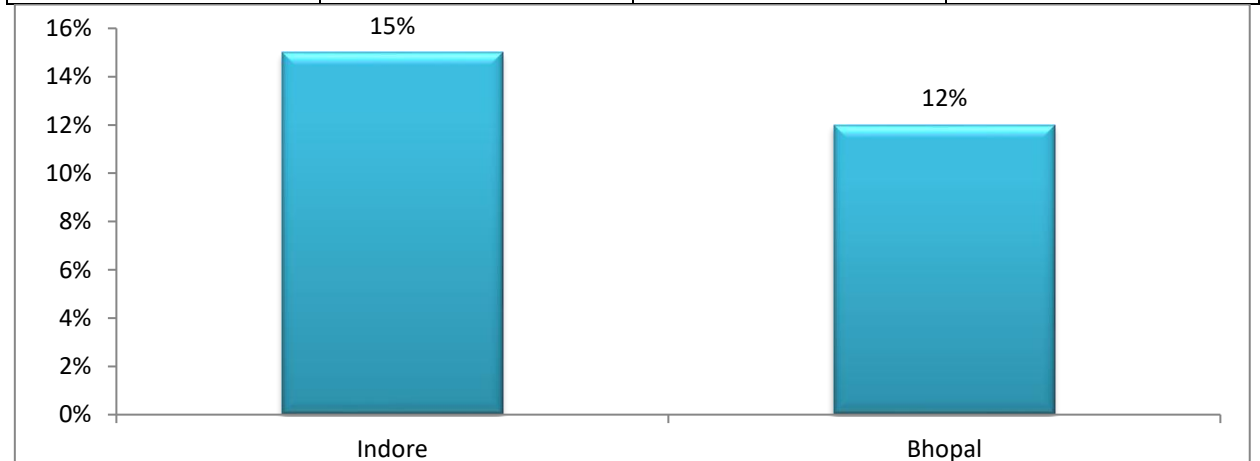


### Interpretation:

A total of **62%** of respondents in Indore and **57%** in Bhopal reported a reduction in their cosmetic purchase frequency. This suggests that inflation is impacting consumer decisions, with Bhopal consumers slightly more likely to reduce spending significantly.

**Table 2: Monthly Average Spending on Cosmetics (INR)**

City	Before Inflation (₹)	After Inflation (₹)	% Decrease
Indore	₹1,200	₹1,020	15%
Bhopal	₹1,000	₹880	12%



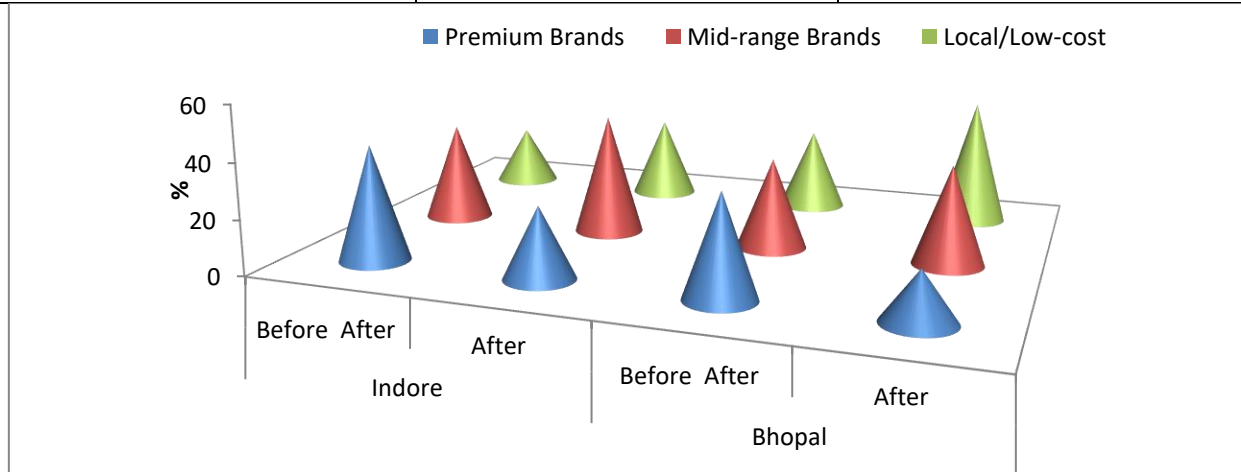
### Interpretation:

Both cities experienced a decline in average monthly cosmetic expenditure, indicating a clear price

sensitivity. Indore consumers, while spending more overall, reduced their spending at a sharper rate (15%).

**Table 3: Brand Preference Shifts**

Brand Type	Indore (Before → After)	Bhopal (Before → After)
Premium Brands	42% → 26%	37% → 18%
Mid-range Brands	36% → 44%	33% → 36%
Local/Low-cost	22% → 30%	30% → 46%

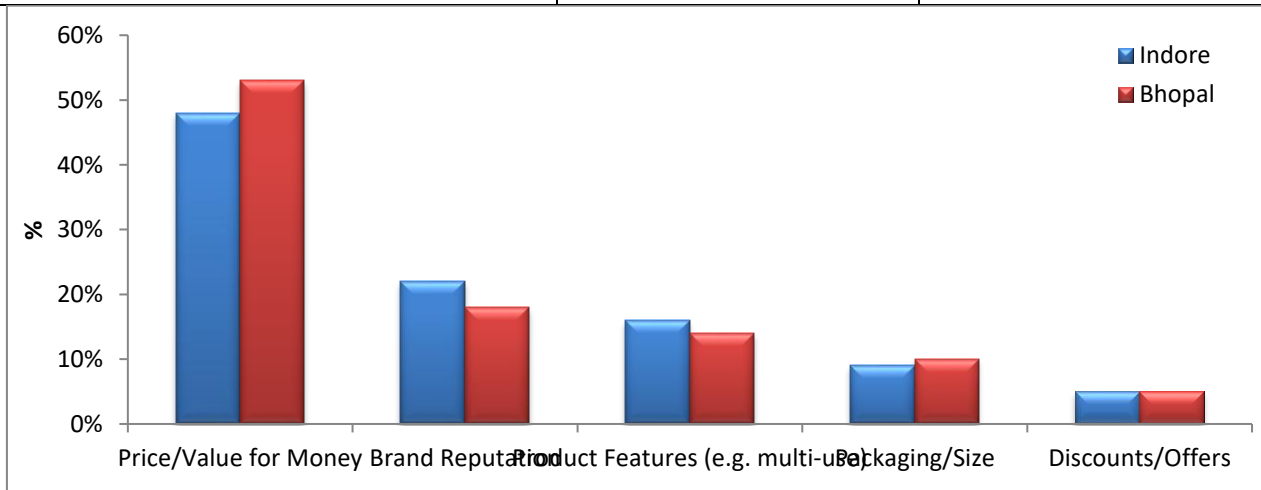


### Interpretation:

Consumers in both cities shifted from premium to more affordable options. **Bhopal** consumers showed a more drastic migration to local or low-cost brands (from 30% to 46%), while **Indore** maintained some loyalty to mid-range brands.

**Table 4: Consumer Priorities When Buying Cosmetics**

Priority	Indore (%)	Bhopal (%)
Price/Value for Money	48%	53%
Brand Reputation	22%	18%
Product Features (e.g. multi-use)	16%	14%
Packaging/Size	9%	10%
Discounts/Offers	5%	5%

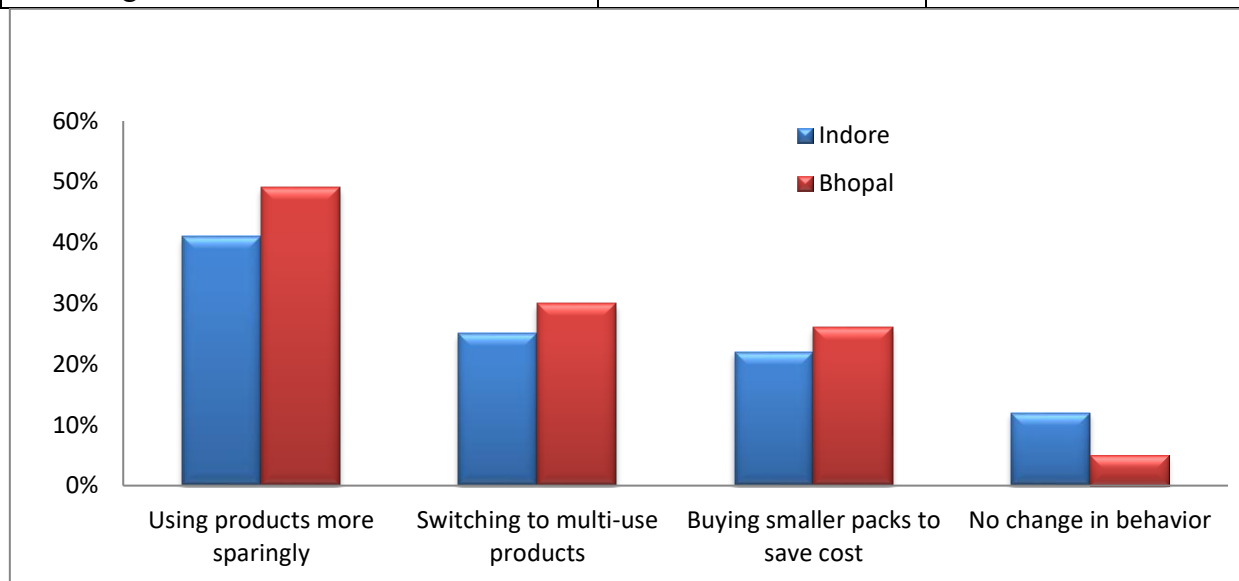


## Interpretation:

**Price and value for money** were the most important factors in both cities, especially in Bhopal. Branding, which once held sway, now takes a back seat as economic pressures push practicality to the forefront.

**Table 5: Perceived Impact of Inflation on Cosmetic Use Behavior**

Perception	Indore (%)	Bhopal (%)
Using products more sparingly	41%	49%
Switching to multi-use products	25%	30%
Buying smaller packs to save cost	22%	26%
No change in behavior	12%	5%



## Interpretation:

The majority of consumers are consciously adapting their cosmetic usage habits. Bhopal consumers are more frugal, with a higher percentage reporting conservative product usage and cost-saving buying behavior.

- **Purchase Frequency:** 62% of Indore respondents and 57% of Bhopal respondents reported a reduction in purchase frequency due to inflation.
- **Brand Preferences:** A significant number of consumers shifted from premium brands to budget or local alternatives.
- **Spending Patterns:** Monthly cosmetic spending decreased by 15% in Indore and 12% in Bhopal on average.
- **Consumer Priorities:** Value for money, multi-use products, and discounts became top purchase drivers.
- **Price Sensitivity:** Bhopal consumers showed slightly higher price sensitivity compared to Indore.

## TESTING OF HYPOTHESIS

**H<sub>01</sub> :** There is no association between city and change in purchase frequency.

**Test Used:** Chi-Square Test for Independence

**Test Result:**  $\chi^2 = 9.56$        $df = 3$        $p\text{-value} = 0.022$

**Interpretation:**

Since the **p-value** < **0.05**, we reject the null hypothesis. There is a statistically significant association between the **city** and **change in purchase frequency**, meaning that residents of Indore and Bhopal responded differently to inflation in terms of how often they buy cosmetics.

**H<sub>02</sub>:** There is no significant difference in mean spending between the two cities.

Test	Used:	Independent	Samples	t-Test
<b>Test Result:</b>	Mean (Indore) = ₹1020, Mean (Bhopal) = ₹880			
	t = 2.84	df = 198	p-value = 0.005	

**Interpretation:**

Since the **p-value** < **0.05**, we reject the null hypothesis. There is a significant difference in the **post-inflation average monthly spending** between Indore and Bhopal consumers. Indore consumers, while also cutting back, continue to spend more than their Bhopal counterparts.

**H<sub>03</sub>:** Brand preference shift is independent of city.

<b>Test Result:</b>	$\chi^2 = 13.74$	df = 2	p-value = 0.001
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**Interpretation:**

The **p-value is very low (< 0.01)**, so we reject the null hypothesis. There is a strong, significant relationship between **city** and **brand preference shift**, suggesting that Bhopal consumers shifted more dramatically toward local/low-cost brands compared to Indore.

**DISCUSSION:**

The study highlights how inflation reshapes consumer priorities even in aspirational categories like cosmetics. Consumers tend to cut down on frequency, shift to economical brands, and seek higher value propositions. Indore consumers, being slightly more urbanized, retained some loyalty toward mid-tier brands, whereas Bhopal showed a more drastic shift to local options. Marketing strategies focusing on affordability, combo offers, and long-lasting products can help brands maintain relevance during inflationary periods.

**CONCLUSION:**

Inflation significantly impacts cosmetic buying behavior, with clear shifts observed in purchase patterns, brand choices, and consumer expectations. While both cities exhibit similar trends, subtle differences exist due to demographic and economic variations. Brands need to localize strategies and prioritize value-based offerings to navigate inflation-driven market changes.

**RECOMMENDATIONS:**

- Launch affordable product lines or smaller packaging units.
- Emphasize value and versatility in marketing campaigns.
- Offer loyalty programs and bundle discounts.
- Conduct regular market surveys to stay aligned with consumer sentiment.

**LIMITATIONS & FUTURE SCOPE:**

The study is limited to two cities and a specific time frame. Future research can expand to other Tier-2 and Tier-3 cities and examine long-term behavioral shifts post-inflationary periods.

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