Tuijin Jishu/Journal of Propulsion Technology
ISSN: 1001-4055
Vol. 47 No. 01 (2026)

# "The Strategic Role of the Decoy Effect in FMCG Marketing: Implications for Pricing and Product Positioning in North India"

**Ms. Neeru Malik, Dr. Meenakshi Katyal**

Research Scholar (Bhagat Phool Singh Mahila Vishwavidyalaya, Khanpur Kalan, Sonipat, Haryana), India.

E-mail- nirumalik22@gmail.com

Associate Professor (Bhagat Phool Singh Mahila Vishwavidyalaya, Khanpur Kalan, Sonipat, Haryana), India.

***Abstract: -*** This research examines the Decoy effect to elucidate the strategic significance of this phenomenon in shaping customer decision-making, pricing perception, and product positioning for Fast-Moving Consumer Goods (FMCG) in Northern India. Data were gathered using a quantitative study approach using structured questionnaires and experimental sets involving 200 respondents. The researchers aimed to achieve four primary objectives: to assess the influence of the decoy effect on consumer decision-making, to evaluate the efficacy of decoy products as marketing tools, to investigate the correlation between pricing strategies and consumer value perceptions, and to analyse the implications for product placement and brand competition. The analysis used metrics such as One-Way ANOVA, Independent Samples t-test, Multiple Regression Analysis, and Post Hoc Tukey testing to derive a conclusion substantiated by robust empirical evidence: the decoy effect impacted the participants' decision-making process. Results: The ANOVA findings revealed substantial variations in purchase intention and perceived value across decoy circumstances ($p < 0.001$), with robust decoys significantly enhancing both measures. The t-test findings demonstrated significant outcomes for both elevated target product choice rates and enhanced brand preference ratings attributable to the presence of a decoy. Regression study revealed that high decoy pricing had a considerably more favourable influence on perceived value and purchase intention compared to discounted or regular pricing methods ($\beta = 0.521$, $p < 0.001$). Furthermore, ANOVA and Tukey post hoc analyses demonstrated that the use of mid-tier and premium-tier decoys significantly enhanced market share acquisition and customer loyalty in comparison to the absence of decoy strategies. The research indicates that the intentional use of the decoy effect might serve as a marketing tool for FMCG firms in North India, augmenting perceived value in consumers' minds and offering a competitive edge. The findings provide significant theoretical advancements for the behavioural marketing literature and provide helpful practical insights for marketers aiming to enhance their pricing and product positioning strategies. Subsequent studies may further examine culture and demography as variables of decoy efficacy.

***Keywords***: *Decoy Effect, Pricing Strategies, Consumer Behavior, FMCG Marketing.*

**1. Introduction** The fast-moving consumer goods (FMCG) sector is essential to the global economy because to its substantial demand, short shelf life, and rapid client turnover. The fast-moving consumer goods (FMCG) sector includes food and beverages, personal care products, household essentials, and over-the-counter drugs. The fierce rivalry in this industry compels corporations to use various marketing methods to shape customer preferences and enhance their earnings. Historically, pricing tactics, product differentiation, advertising initiatives, and in-store positioning have been the methods used by fast-moving consumer goods (FMCG) companies to leverage customer engagement potential. Recently, consumer behaviour in the contemporary market is more shaped by behavioural economics and psychological pricing methods. Marketers of fast-moving consumer goods (FMCG) often use the

decoy effect, a cognitive bias that influences customer decision-making in their favour, as articulated by (Connolly, 2013), to position their product as the preferred option.

### 1.1 Definition and Significance of the Decoy Effect in Consumer Behavior

(Grace, 2022) the decoy effect, or asymmetric dominance effect, is the tactic of introducing a secondary product inside a product lineup to subtly influence buyers towards selecting a certain target product. This pricing approach aims to do that. The decoy is designed to make the alternative seem inferior to the genuine product while resembling another choice in the selection. The perception of the target product as offering superior value increases the probability of client selection of that product. This phenomenon, first studied in behavioural economics, is used across several industries, including technology, hospitality, and fast-moving consumer goods (FMCG).

The decoy effect may significantly influence customer choices in the FMCG sector, since these products are often acquired impulsively. This technique is used by corporations and retailers to augment sales, enhance profitability, and stimulate premium consumer expenditure. A beverage firm may release a little bottle at an exorbitant price to make the mid-size bottle seem affordable and appealing. Principal strategies to convey perceived value, a critical element in the fast-moving consumer goods (FMCG) sector.

### 1.2 Importance of Pricing and Product Positioning in FMCG

Pricing strategies and product positioning are only two of the many elements influencing customer expenditure in the fast-moving consumer goods market. In developing countries like India, customers exhibit price sensitivity, necessitating that enterprises adopt a well-designed pricing plan that balances costs and profits. Monetary Clarification: The pricing of items affects market appeal and perceived value in comparison to rivals. A decoy product may be used in a pricing strategy to enhance the perceived worth of a product, so encouraging buyers to choose higher-margin items over the decoy.

Product positioning delineates how consumers view a brand's products relative to its rivals. Effective product positioning tactics that may enhance sales include brand distinctiveness, shelf organisation, packaging, and promotional bundling. Given the distinct customer demographics, cultural influences, and regional price sensitivities in North Indian FMCG markets, using the decoy effect may serve as a valuable strategic tool in the performance marketing of goods and pricing strategies. By adjusting their pricing strategies to match with customer expectations and market positioning, firms in the fast-moving consumer products industry may improve their market standing and secure a competitive advantage (Herne, 1999).

### 1.3 Rationale for Studying the Decoy Effect in North India

Research on the decoy effect in North Indian FMCG markets is limited in comparison to the extensive literature on consumer behaviour and pricing strategies within the sector at large. Recent study focusses on Western consumer behaviour, whereby economic stability and brand loyalty have a greater effect on purchase choices. The Indian FMCG business has issues stemming from regional price sensitivity, diverse client demographics, and the structure of organised and unorganised retail (Hochma, 2010).

The Fast-Moving Consumer Goods (FMCG) business in Northern India is thriving because to rising disposable incomes, urbanisation, and evolving consumer tastes in states such as Delhi, Punjab, Uttar Pradesh, Haryana, and Rajasthan. The qualities render the decoy effect an underexplored but potentially lucrative marketing tactic in this domain. Research on customer responses to decoy pricing tactics in the fast-moving consumer goods (FMCG) sector in North India is very scarce, particularly on value assessment and product positioning relative to competitors (Kim, 2006).

## 2.Objectives

- To analyse the impact of the decoy effect on consumer decision-making in the FMCG sector in North India.
- To evaluate the effectiveness of using decoy products as a marketing strategy to enhance the appeal of target FMCG products.

- To examine the relationship between pricing strategies and the decoy effect in influencing consumer perceptions of value in the FMCG market.
- To explore the implications of the decoy effect on product positioning strategies and brand competitiveness in North India's FMCG sector.

**3.Review of Literature:**

**(Padamwar, 2024)** study the decoy effect and customer decision-making in marketing and psychology. The study discovered that asymmetrically dominating alternatives significantly impact customer decisions (decoy offers) in FMCG, retail, and online services. We examine the decoy effect's mental processes, price sensitivity, decision-making heuristics, and values. Research indicates that the decoy effect may increase premium product sales by attracting clients who are prepared to compromise and favour a certain brand. Limits and bounds of the decoy effect. Examples include product knowledge, cultural variables, and customer experience.

**3.1 Foundational Studies on the Decoy Effect**

This study may assist managers in incorporating customer preferences into pricing and product positioning. Professionals in marketing and behavioural economics will find it useful**. (Liu, 2023)** Examine capuchin monkey context-effect bias in a value-based food selection task for decoy effects. When given a fake option, capuchins made food-motive selections like people and animals. The decoy effect may be an evolutionary consequence of cognitive mistakes impacting value, not human thinking or marketing, as shown in capuchins' asymmetric dominance effects. This research advances behavioural economics and comparative psychology by uncovering non-human decision-making strategies. He and colleagues found that primates exhibit comparable choice distortions, indicating the universality of context-dependent biases and the variation in economic choices across species. **(Yuan, 2022) a**nalyse retailers' decoy methods, which consumers use to reference prices, using a retailer-Stackelberg supply chain model. The Journal of Retailing and Customer Services research examines how corporations deploy decoy items to influence customer choice and optimise price. The research found that buyers' internal reference prices, based on past purchases and market expectations, reduced the importance of decoy. Research indicates that decoy choices may increase sales and encourage certain product selections. If abused, this tactic may cause clients to distrust the organisation due to its deceptive nature. Behavioural pricing and customer satisfaction may improve supply chain pricing strategy for retailers, wholesalers, and analysts over time. (Wu, 2020) study customer preferences for pig hindquarters, including culinary beauty, traceability, and pricing. We study the impact of a decoy alternative on consumers' food safety and quality assessments of a target product.

**3.2 Theoretical Anchors for Understanding the Decoy Effect**

Customers are more influenced by the decoy effect when evaluating visual beauty and product traceability. Correctly positioned decoys may increase perceived value and encourage purchasers to spend more for high-quality pigs. Price-based decoys impact consumers who value quality and safety traceability, according to a study. Behavioural economics in food marketing is strengthened by practical implications for retailers, lawmakers, and supply chain managers in identifying and pricing perishable commodities. **(Wu, 2020)** examine revenue maximisation for an online diamond shop using the decoy effect. The research by Boulstridge and McCulley in Marketing Science examines customer purchase behaviour using transactional data and asymmetrically dominant decoy alternatives. Use decoy pricing to revive sales of high-margin products and influence client purchases. Consumer variations in price sensitivity, brand trust, and awareness may impact the efficacy of decoys. E-commerce platform administrators should adjust product presentation and price to boost conversions without losing consumers. Improved understanding of psychological pricing leads to increased revenue and improved online marketing and behavioural pricing.

**(Trueblood, 2017)** examine consumer choice and the phantom decoy effect. In addition to decoy effect research, their Journal of Behavioural Decision-Making study examines how non-attainable options affect decision results. Perceptual research shows that phantom decoys, or once-offered alternatives, improve consumer preferences for a target option. People tend to choose the second alternative due to loss aversion and poor information processing. Consumer Behaviour Training: The Phantom Decoys may impact product placement and pricing in the future,

supporting Behavioural Choice Theory, **(Marini, 2020)** causal links in marketing psychology, and promoting e-commerce platforms and merchant branding. (**Hedgcock, 2016)** emphasise the decoy effect and decision-making latency. They reported in Management Science on cognitive factors that exacerbate consumer hesitancy in tough choices. Researchers discovered that the decoy effect might lead customers to pick an alternative but delay choices in unclear or difficult situations. past competence in decision-making reduces the delayed-decoy effect compared to consumers making their first choice, indicating that past judgements reinforce it. This study advances behavioural economics and marketing by identifying characteristics that restrict the decoy effect, possibly guiding retailers, regulators, and marketers to enhance pricing and product selection regulations. **(Sellers-Rubio, 2015)** study how national and private-label items influence customer decisions in retail. Do store brands gain from the decoy effect, or do national brands suffer more? Consumers choose higher-quality national brands due to comparison framing, leading to the decoy effect. Customers who are price sensitive or acquainted with store brands may be influenced by the decoy effect to choose private-label items.

### 3.3 Application of the Decoy Effect in Marketing and Retail Strategy

Retailers and brand managers may utilise this information to create competitive pricing and selection strategies for national brands, benefiting consumer behaviour researchers and marketers. Phantom decoys expose consumer perceptions and judgments to contextual decision-making biases, as noted by **(Scarpi, 2013)**. Phantom decoy choices assess consumers' preferences, perceived value, and decision confidence via unavailable, apparently plausible options. The Journal of Behavioural Decision-Making Phantom decoys influence consumer choice, leading individuals to prefer the nearest option, confirming psychological effects of scarcity and felt loss. Phantom decoys may reduce judgment confidence and raise cognitive dissonance when options are eliminated too rapidly, according to research. Online marketplaces, price analysts, and merchants may utilise false choice to construct product assortments and promote behavioural economics and marketing psychology. **(Slaughter, 2011)** study the decoy effect, a subtle influence that changes decisions. Researchers investigated whether the phenomenon occurs in the conscious or subconscious mind and published their results in the Journal of Behavioural Decision Making. **(Chen, 2025)** investigations indicate that the decoy effect has a subtle but important influence on organisational and consumer choices, which decision-makers often overlook. The study explores the ethical and management consequences of decoy-based persuasion strategies in behavioural economics, advertising, and negotiation. Companies, politicians, and marketers may enhance decision-making while upholding ethics by examining how "decoys" might influence choice preferences.

**(Scarpi D. , 2008)** states that decoy effects and prior information influence customer preferences and choices. Effect of asymmetric-dominant decoys on purchasers when combined with inflammatory product descriptions, reviews, or expert references. International Review of Retail, Distribution, and Consumer Research. The decoy effect persists with outside information, although its strength relies on the quality of the content. More powerful are systematic thinkers than intuitive, decoy-prone consumers. The research demonstrated that background information might either increase or decrease the decoy effect, depending on consumer expectations and past knowledge. With these data, companies may modify pricing, position items, and structure information to boost sales. **(Colman, 2007)** use the asymmetric dominance effect and phantom decoy effects from consumer behaviour to game decision-making to comprehend the decoy effect. Their study is on the influence of a superior alternative (decoy) on player choices, whether strategic or competitive. The phantom decoy effect occurs when deceptive or unworkable options influence decision-makers' ultimate decisions. They demonstrate how psychological and cognitive biases impact business competitiveness, negotiations, and auctions. Their research supports behavioural decision theory by showing how choice architecture and perceptual framing impact strategic interactions. This resource is important for researchers in organisational behaviour, game theory, and behavioural economics **(Park, 2005).** A cross-cultural investigation of consumer preference, choice, and deoy effects.

### 3.4 Cognitive and Psychological Mechanisms Behind the Decoy Effect:

The asymmetric dominance effect indicates that buyers are more likely to pick the target after viewing an appealing decoy. Research indicates that consumers seek rationales for their choices and are less biased in defending them, reducing the decoy effect. Marketers can improve product attraction and justification signals by

optimising pricing, positioning, argumentation, and decoy impact through intentional reasoning, supporting consumer psychology and behavioural marketing. **(Wedell, 1996)** Examine the cognitive foundations of the decoy effect and how customer evaluations affect asymmetrically dominated decisions. Organisational Behaviour and Human Decision Processes examines the decoy effect's visibility/invisibility via value and preference distortions.

**3.5 Research on Decoy Effect and Customer Choice:**

How Decoy Options Change Target Options' Attractiveness. The research found that consumers' vulnerability to the decoy effect varies while making decisions. Some use heuristics, while others use direct comparisons. The study of choice architecture by psychologists, merchants, and marketers confirmed that contextual signals and framing effects influence customer choices, supporting behavioural decision theory. (Heath, 1995) found that a meta-analysis and experiments shift the inferior and superior asymmetric decoy effect. Research in the Journal of Consumer Research found that brand position and perceived quality affect the efficacy of decoys. The decoy effect benefits mediocre companies since individuals tend to choose the second-best option when alternatives are limited. Premium firms have fewer decoy effects since purchasers link them with excellence and disregard the price. Ultimately, decoy pricing is crucial for market segmentation and brand positioning, and mid-tier or budget firms should use it to gain market share. Consumer behaviour and pricing research are crucial for FMCG, retail, and brand management professionals.

**(Ahn, 2016)** define the decoy effect as a third product increasing customer interest in higher-priced items. According to **(Wu, 2020),** the psychology behind a person's choices can be easily altered by changing the context in which the product is delivered, even when the context is irrelevant to general decision-making. This phenomenon is observed in areas such as health insurance programs, politics, and human resources in marketing. For years, psychologists worldwide have studied the reasons for increased spending, with the most common being the belief that the contrast in company product attendance (Z) leads to arbitrary purchases of the initial product (X). What makes this belief accurate? If the "polytheism effect" didn't exist, consumers wouldn't have bought this product at its high price **(Trueblood, 2017)**. According to **(Kim J. K., 2019), b**uyers may pick a more expensive product based on how alternatives are presented. The notion of "company impact" was first seen as a marketing tool, but further research revealed its use in other areas, including employment, health care, and politics **(Fehrer, 2018)**. Those who are aware of this strategy may avoid becoming mesmerised and even use it to deceive others.

According to **(Zhang, 2007),** these behaviours are not limited to specific items but rather heuristic concepts that apply to other commodities, such as wines, TVs, vehicles, and houses. **(Wu, 2020**) discussed the most prevalent individuals who fall into this trap. Impulsive thinkers are more susceptible to this deception, but reasonable thinkers who analyse their thoughts are less impacted **(Han, 2017).** The bait effect, also known as the dunk effect or asymmetric dominance effect, is a marketing strategy that influences customer decision-making by persuading consumers to choose a more expensive option by creating the illusion of a bargain **(Monk, 2016).** (**Uribe, 2**017) suggest using a bait effect to maximise sales of a specific product. The organisation should offer a high-quality, high-priced product, a lower-priced, low-quality product, and a third product, the taste type, with a lower price and a small percentage of the first product, but with a low quality or very high price.

**3.6 Research Gap:**

The decoy effect has received considerable attention in the marketing and consumer psychology literature as a tool that is used strategically to influence buyers' choice through additively dominated options (Trueblood, 2017). Yet little is known about the process and outcomes of using the decoy effect in the case of low-involvement fast-moving consumer goods (FMCGs) purchased frequently, especially in emerging economies such as India. Whereas earlier studies (Heath, 1995) of online WOM has concentrated on high-involvement product categories like electronics, insurance or luxury goods, where customers do considerable "evaluative" information processing. And that raises an obvious question: Is the decoy effect a similar factor with non-significant, habitual purchase items such as soaps, shampoos or packaged foods, where decisions are more heuristic and impulsive in nature?

Furthermore, while pricing strategies and consumer attitudes have been studied individually (Wu, 2020), there is scant empirical research on how pricing decisions are modelled along with product positioning and brand positioning in the presence of decoy actions taken by real FMCG companies whose corresponding brands compete for market share. The tacit dance of the play, between decoy tactics and localised consumer behaviour conditioned by socio-cultural differences, price resistance and regional market power structures is near-absent in Indian marketing writing (Liu, 2023).

Moreover, North India, being a unique market zone with diverse urban-rural dichotomies and consumer psychographics of its own, has never been specifically addressed in the studies on decoy. Because of regional variation in brand favourability, literacy, purchasing power and promotional influence, it is important to further investigate the context-specific findings that support/confront competitive decoy effect theories emerging in the primarily Western marketplace (Chen, 2025). Towards addressing these gaps, the present study aims at investigating empirically how pricing strategies influence the decoy effect and its impact on consumer perceptions of value, purchase intentions, brand loyalty and market share in FMCG markets in North India. Combining behavioural economics with actual-market pricing experiments, the study adds value both theoretically and practically to FMCG advertising, price psychology and regional consumer strategy.

## 4. Research Methods

### 4.1 Research Design

This quantitative research integrates controlled trials with consumer surveys to examine the decoy effect and its influence on decision-making among North Indian consumers of Fast-Moving Consumer Goods (FMCG). A quantitative technique is suitable for this research as it facilitates the identification of links among pricing strategies, product positioning, and purchasing behaviour; the confirmation of hypotheses via significance testing; and the assessment of consumer reactions. Surveys will be used to ascertain customers' preferences, views, and purchasing intentions across various pricing and positioning situations. We use controlled throttling experiments to assess client responses to the concealed virtual products, ensuring that the findings are reliable and align with marketing theories and behavioural economics.

### 4.2 Sample and Data Collection

This research focuses on FMCG consumers in North India, including both semi-urban and urban geographical sectors, to provide a broader respondent pool. Due to the demographic and socio-economic variety in this area, pertinent sub-groups will be formed using stratified random sampling based on age, income level, geographic location, and other relevant criteria. This sample approach guarantees that the findings accurately reflect market dynamics and behavioural trends, making them generalisable across all consumer categories. A minimum of 200 responders is required to provide a statistically meaningful response rate for each strategy. Data will be gathered via structured online and offline questionnaires, while experimental interventions will provide respondents with product alternatives under different price circumstances and the influence of the decoy effect.

### 4.3 Variables and Measures

Conclusions from this research may be helpful to determine the usefulness of decoy advantage in advertising for fast moving consumer goods (FMCG). The independent variable is the three main components of the decoy effect.

- Product Integration: How does the arrangement of mock products affect our final purchase decision?
- Price tiers influence customers as long as there is variability between decoy, target and competitor products.
- Impressionistic Indications: What ways can product descriptions, labelling and packaging do to promote the decoy effect?

Dependent variables in this study include:

- Intent to Buy: The probability that a consumer will select the desired product, given decoy product.

- The relative position where a product is compared to the decoy is one important element that drives how much value a customer will place on the offering.
- FMCG The Decoy Effect: The decoy effect is an observation noticed in the consumer behaviour in which consumers tend to have a preference for one of the options when an additional, similar option is presented.

Measurement of decoy-based pricing schemes and consumer decision-making behaviour in the study demonstrates the potential relationship which can establish the causal relationship between the two.

**4.4 Data Analysis Techniques**

The study will employ a structured data analysis approach using both descriptive and inferential statistics to examine the impact of the decoy effect on consumer behavior in the FMCG sector. Descriptive statistics (mean, median, standard deviation, and frequency distributions) will be utilized to summarize the demographic profile of respondents and provide an overview of consumer responses. For Objective 1, One-Way Analysis of Variance (ANOVA) will be conducted to compare purchase intention and perceived value scores across different decoy effect conditions (no decoy, weak decoy, and strong decoy). For Objective 2, an Independent Samples t-test will be applied to evaluate the effectiveness of decoy products by comparing consumer responses between groups exposed to decoy and non-decoy conditions. To address Objective 3, Multiple Regression Analysis will be employed to examine the relationship between different pricing strategies (regular pricing, discounted pricing, and decoy pricing) and their influence on perceived value and purchase intentions. Finally, for Objective 4, One-Way ANOVA along with a Post Hoc Tukey Test will be conducted to explore the differences in market share gains and brand loyalty scores across varying decoy-based positioning strategies. All analyses will be carried out using SPSS software, with a significance level of $p < 0.05$ considered for statistical validation. This comprehensive analysis framework ensures accurate testing of hypotheses and alignment with the study's research objectives.

**Results**

Objective 1: To analyse the impact of the decoy effect on consumer decision-making in the FMCG sector in North India.

Variables:

- Independent Variable: Decoy effect condition (No Decoy, Weak Decoy, Strong Decoy)
- Dependent Variables: Purchase Intention, Perceived Value
- Statistical Tool: One-Way ANOVA

| Variable | Group | Mean | Std. Deviation | F-value | Sig. (p-value) |
|---|---|---|---|---|---|
| Purchase Intention | No Decoy | 5.4 | 1.21 | 38.62 | 0.000** |
| | Weak Decoy | 6.7 | 1.09 | | |
| | Strong Decoy | 8.2 | 1.03 | | |
| Perceived Value | No Decoy | 5.1 | 1.26 | 35.47 | 0.000** |
| | Weak Decoy | 6.5 | 1.11 | | |
| | Strong Decoy | 8.1 | 0.98 | | |

The One-Way ANOVA test results demonstrate a significant influence of the decoy effect on customer choices in the FMCG industry in North India. The mean score of Purchase Intention was 5.4 for No Decoy, 6.7 for Weak Decoy, and 8.2 for Strong Decoy with F-value 38.62 and p-value 0.000 which means, it is highly significant across group. The fact that this effect gets even stronger when a dominating decoy is present indicates that introducing decoy products has a positive effect on consumers' likelihood to purchase the target product. Likewise, for the Perceived Value, average numbers were 5.1 for No Decoy, 6.5 for Weak Decoy and 8.1 for

Strong Decoy with F-value 35.47 and p-value 0.000. So, when well-designed decoy alternatives are introduced, the level of attractiveness and intent to purchase FMCG products increases due to the decoy effect, confirming that the decoy effect is important for improving our decision-making as a consumer.

Objective 2: To evaluate the effectiveness of using decoy products as a marketing strategy to enhance the appeal of target FMCG products.

Variables:

Independent Variable: Presence of Decoy (Yes/No)

Dependent Variables: Increase in Target Product Choice, Brand Preference

Statistical Tool: Independent Samples t-test

| Variable | Decoy Presence | Mean | Std. Deviation | t-value | Sig. (p-value) |
|---|---|---|---|---|---|
| Target Product Choice (%) | No Decoy | 41.5 | 9.6 | 10.48 | 0.000** |
| | With Decoy | 58.9 | 8.7 | | |
| Brand Preference Score | No Decoy | 5.7 | 1.24 | 9.22 | 0.000** |
| | With Decoy | 7.2 | 1.08 | | |

Results of the Independent Samples t-test showed that the decoy product has a significant effect on increased attractiveness of the target FMCG products. For Target Product Choice, the average selection rate was 41.5% in the No Decoy group and 58.9% in the With Decoy group. The t-value is 10.48 with a very significant p-value of 0.000 indicating that the two groups have a significant difference. This indication that introducing a decoy would prominently raise the chances of choosing the target product. Likewise, the mean Brand Preference Score for the No Decoy group was 5.7, while it was 7.2 for the With Decoy group. An again statistically significant difference is confirmed, t-value of 9.22, p-value of 0.000. Importantly, such insights not only encourage immediate product choice as evidenced by the disproportionate selection of the decoy-product in the above example — but better still, a strategically placed decoy promotes better overall brand preference amongst targeted consumers irrespective of the product being considered! In conclusion, our findings provide compelling evidence for the power of decoy products as a strategic marketing tool, indicating that carefully crafted decoy offerings can effectively redirect consumer decision-making and enhance brand presence in North India's fiercely competitive FMCG landscape.

Objective 3: To examine the relationship between pricing strategies and the decoy effect in influencing consumer perceptions of value.

Variables:

- Independent Variables: Pricing Strategies (Regular, Decoy, Discounted)
- Dependent Variables: Perceived Value, Purchase Intention
- Statistical Tool: Multiple Regression Analysis

| Predictor (Pricing Strategy) | Standardized Beta (β) | t-value | Sig. (p-value) | $R^2$ Value |
|---|---|---|---|---|
| Decoy Pricing | 0.521 | 8.14 | 0.000** | 0.428 |
| Discounted Pricing | 0.367 | 5.83 | 0.000** | |
| Regular Pricing | Reference Category | | | |

Pricing Strategies: And the impact of Decoy Effect on Consumer Perceived Value & Purchase Intention Multiple Regression Analysis However there is a highly significant positive relationship between Pricing strategies, Decoy Effect and Consumer perceived value & Purchase intent. Out of these predictors, Decoy Pricing had the most positive impact ($\beta = 0.521$, $t = 8.14$, $p = 0.000$), showing highly significant effect. By revealing that a decoy pricing strategy, when employed, significantly boosts consumers' perceived value and purchase intention of target products. Pilot Pricing also exerted a found significant positive influence ($\beta = 0.367$, $t = 5.83$, $p = 0.000$) with significantly lower influence compared to the decoy pricing. (N3) Regular Pricing served as the reference category with no significant increase in perceived value and intention to purchase. The overall model accounted for 42.8% ($R^2 = 0.428$) of the variance in the dependent variables, demonstrating a good fit. These results validate the superiority of decoy-based pricing strategies over classic discounting strategies in influencing consumer perception and driving behaviour. Thus, tactically introducing decoy pricing can be a patent weapon in the FMCG marketers looking to reinforce perceptions of value and drive purchases in aggressive retail settings.

Objective 4: To explore the implications of the decoy effect on product positioning strategies and brand competitiveness in North India's FMCG sector.

Variables:

Independent Variable: Decoy Strategy Applied (No Decoy, Mid-Tier Decoy, Premium Decoy)

Dependent Variables: Market Share Gain, Brand Loyalty

Statistical Tool: One-Way ANOVA + Post Hoc Tukey Test

| Variable | Group | Mean | Std. Deviation | F-value | Sig. (p-value) |
|---|---|---|---|---|---|
| Market Share Gain (%) | No Decoy | 2.8 | 1.02 | 25.73 | 0.000** |
| | Mid-tier Decoy | 6.7 | 1.24 | | |
| | Premium-tier Decoy | 10.2 | 1.15 | | |
| Brand Loyalty Score | No Decoy | 5.2 | 1.37 | 21.15 | 0.000** |
| | Mid-tier Decoy | 6.8 | 1.19 | | |
| | Premium-tier Decoy | 8.3 | 1.06 | | |

One-Way ANOVA Output Conclusive evidence of the effect of decoy strategies on market share gain and brand loyalty in FMCG industry in North India indicates the significance of decoy strategies used. For Market Share Gain, the mean values were 2.8% for No Decoy, 6.7% for Mid-tier Decoy, and 10.2% for Premium-tier Decoy. Results obtained through an ANOVA showed an F-value of 25.73 ($p = 0.000$), confirming statistically significant differences between groups. Again, for Brand Loyalty Score, means were: 5.2 for No Decoy, 6.8 for Mid-tier Decoy, and 8.3 for Premium-tier Decoy; F: 21.15; p: 0.000, thus reaffirming we can reject the H0 between groups. These discoveries indicate that the moment a decoy strategy is launched and a decoy within the premium tier category is positioned, market share grows significantly at the same time adding some brand loyalty to consumers. The Post Hoc Tukey Test further confirms that the differences between decoy strategy groups (mid-tier and premium-tier) and the no-decoy condition are statistically significant. In summary, the results indicate that a decoy strategy is an effective method for firms competing in the FMCG space to strengthen their market position and encourage deeper attrition from consumers. This insight allows brands to strategically create decoy products to gain a considerable market edge and extend their consumer connection in North India's evolving retail landscape.

## 5. Conclusion and Implications

### 5.1 Summary of Key Findings

The findings of this research contribute to the small body of behavioural marketing literature about strategic utilisation of the decoy effect in terms of FMCG products 'positioning and brand competition within North India. The findings indicate that the incorporation of a decoy alternative, regardless of whether this is mid-tier or premium tier, has a clear impact on consumer choice behaviour and contributes to increased market share gain and brand switching. More importantly, one-way ANOVA analysis and Tukey tests demonstrated that both middle and high-level decoy strategies lead to special significant improvement on customer preference and purchase decision from no-decoy treatment ($p < 0.001$).

For marketing theory, results demonstrate the applicability of the theoretical mechanisms of asymmetric dominance and contextual choice framing in fast-moving consumer markets. While earlier studies have been mainly based on high involvement products, the current study extends the decoy effect into low-involved and repeated purchase contexts, demonstrating that heuristic-based decisions can still be affected by cognitive pricing frames. These findings extend the literature on behavioural pricing and have implications for choice architecture in a cluttered retail environment.

Managerial Implications. In practice, the findings provide FMCG companies with an empirical basis to trial multi-pricing and portfolio management-based strategies in regional markets, especially where brand competition is high and shelf space is limited. Through intentional decoy placements in driving product assortment, marketers can lead consumers to select higher-margin items without sacrificing perceived value or brand trust.

In general terms, our study contributes to the literature by providing empirical evidence of how decoy effect mechanisms unfold in the specific socio-cultural and economic context of North India's FMCG sector, thus it makes strategic and theoretical contributions to this rapidly evolving cross-pollination between consumer behaviour, pricing analytics, vis-à-vis competitive positioning.

### 5.2 Theoretical Contributions:

This paper contributes to the theory of consumer behaviour and behavioural economics by applying the decoy effect within the FMCG market of a developing market context. Past studies have element of high-involvement commodities, defined as purposeful logical decision making, for example, electronics, vehicles, and luxuries. This research demonstrates the reversal from decoy effect to similarity effect under low-involvement conditions for frequently purchased, low-involvement products, where heuristic and habitual decision-making still dominate the low-involvement products. Data that support prospect theory and the asymmetric dominance effect show that when customers consider options at the point of purchase, they have different attitudes toward comparative value versus absolute value. By demonstrating the impact of price tiering, visible cues, and product placement on consumers' decisions in a competitive retail setting, the research expands the existing literature on pricing psychology and choice architecture. In this context, these insights on functioning of behavioural pricing strategies in some consumer markets can lead to exposure to theoretical stances with respect to context as we have primarily followed the FMCG sector in North India for the purpose of this research. It responds to a major deficiency in research in the area.

This research is valuable in the context of consumer behaviour and behavioural economics literature because it empirically confirms the effect of decoy in fast moving consumer goods (FMCG) sector in developing economy, North India. Most previous studies of price-quality/brand effects have been conducted in relation to high-involvement goods in a Western context, and this study point it toward low-involvement goods bought repeatedly on the basis of heuristics with cues embedded in the context. Drawing on the ideas underlying prospect theory and the asymmetric dominance framework, this study uncovers how price structures, visual manipulations as well as strategic product placements are able to affect consumer choices in competitive retail settings. It fills an important research void by showing how culturally embedded decision-making processes, brand-familiarity effects, and pricing heuristics contribute to helping the decoy effect become manifest in emerging markets. The

results extend the extant theories of choice architecture and behavioural pricing by providing actionable insights into consumer exploitation through decoy-based marketing in the Indian FMCG industry which would be useful to marketers, retailers and policy makers for improving customer engagement and competitive position.

### 5.3 Managerial Implications

Recommendations for Fast-Moving Consumer Goods Advertisers on Optimising the Decoy Effect

This study provides useful guidance for brand managers and executives in the fast-moving consumer products sector, who may leverage the decoy effect to boost sales and reinforce brand positioning. In order to create the perception of higher value, marketers may intentionally offer decoy products that asymmetrically dominate the target item. To reduce the likelihood of the decoy emerging as a serious threat to the player product, consider increasing the price difference with the decoy. This will make the target goods more appealing Visual signals, shelf positioning, and package design should be used to indicate how the target product is better than the decoy. In multiple shopping settings, businesses can deploy several potential decoys both in their online and brick-and-mortar showrooms to assess customer reactions.

### 5.4 Best Practices for Pricing and Positioning Strategies

One pricing strategy, which fast-moving consumer goods (FMCG) companies can exploit is by providing the option of a middle-tier or premium-tier decoy, where the target product is presented as the lowest-price option. Tricks like bundling create a false impression that pricey packages are more irresistible than purchasing items one-by-one. Organisations should pause at scale deployment of decoy-based pricing approaches and run A/B tests with customers to understand the effect of different price points and product combinations. Consumer psychology reveals a lot about how to position products for the target market. Decoy strategies will uniquely pertain to the sector due to the regional dynamics of disposable income, purchasing power, and brand awareness, which can lead to variations in consumer behaviour among different market segments.

### 5.5 Limitations of the Study

The study improves our understanding of the decoy effect in the realm of fast-moving consumer goods (FMCG) marketing, though several important caveats warrant consideration. First of all, remember that the study only examined the North Indian market. Although the findings are applicable to similar developing nations, it is possible they won't hold or be replicated elsewhere due to varying consumer behaviour and economic climates. Second, non-price decoys (e.g. packaging, brand endorsements, sustainability issues) were not addressed in detail; the study is limited to price-based decoy strategies. Future research could investigate more decoy elements that influence consumer decisions than price and perceived value. The latter relies primarily on experimental and survey-based tasks that cannot adequately simulate how real-world factors such as marketing campaigns, competitor pricing, and sales impact consumer purchase decisions, and the study also focuses on relatively few specific factors that influence these types of decisions.

### 5.6 Future Research Directions

Future research should explore the impact of the decoy effect on other sectors apart from fast-moving consumer goods (FMCG) such as other sectors of the retailing business like online fashion, technology and e-commerce. Scholarly studies - Research can also explore cultural differences in the consumer's reactions to decoy techniques highlighting developed markets versus developing markets. Digital marketing and decoy pricing may be a potential avenue of study, especially since e-commerce platforms might employ algorithmic recommendations and AI-driven personal pricing. Researchers also need to consider the long-term impacts of these decoy approaches on brand perception and consumer loyalty, as repeated exposure to behavioural pricing tactics could lead to consumer scepticism or backlash. Lastly, neuroscientific methods like eye-tracking or brain imaging can help provide greater insight into the way decoy events influence subconscious decision-making processes, or if they have any at all.

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