

UNDERSTANDING CONSUMERS' WILLINGNESS TO PAY FOR DRIVING SMARTER RGM DECISIONS

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With **inflation and economic pressure impacting consumers**, strategic pricing is crucial for FMCG brands. Understanding Willingness to Pay (WTP) helps **optimize pricing, portfolios, and growth**.



Understanding Consumers' Willingness to Pay for Driving Smarter RGM Decisions

With rising inflation, supply chain uncertainty and economic pressures squeezing household budgets, the ability to strategically manage pricing is more critical than ever for brands operating in FMCG industries.

Within the broad discipline of Revenue Growth Management (RGM) lies the foundation for strategic pricing – the consumer's Willingness to Pay (WTP) for a brand's products against the competition.

Understanding WTP enables brands to set optimal price points, optimize and rationalize brand portfolios, create more effective price ladders, identify unmet consumer needs and proactively address opportunities and threats in the marketplace. In this article, we explore how a unique methodology using predictive analytics answers key questions around pricing across a broad range of FMCG brands. Advanced simulations can be used to anticipate trade-offs between volume, market share, top-line revenue and bottom-line profitability across a range of potential price adjustments to build consensus in pricing strategy.



Behind the methodology: The Consumer Surplus Factor

Among the five pillars of Revenue Growth Management (pricing, promotions, trade terms, assortment mix and price-pack architecture), pricing is the foundational lever from which a brand makes margins, and the one that matters most for the shopper/consumer.

So it's key that strategic pricing be consumer-centric and consumer-informed. This starts with an understanding of consumers' Willingness to Pay (WTP) for a brand and its competition. WTP serves as a proxy of brand value and the pricing strength you have in any given category, market or channel.

But most organizations lack the capability to calculate WTP and to extrapolate how it impacts market share, sales volume and profit with internal data. To close this gap, at Infosys Equinox, we have used a unique methodology for strategic pricing that is powered by Consumer Surplus Factor (CSF) enabling brands to measure WTP. CSF applies an econometric and AI model to syndicated data harvested primarily from point of sales sources. This data can also be enhanced with brand equity surveys, focus group studies and social media data.



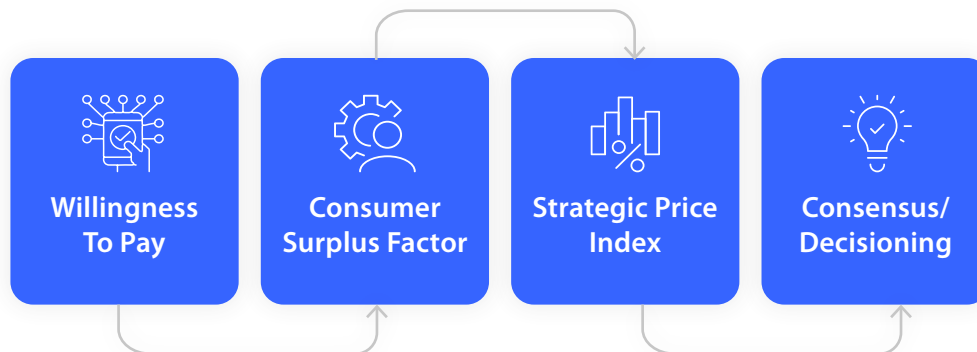
How Consumer Surplus Factor works

Maximum Consumer Value (MCV) represents consumers' highest willingness to pay. When price is subtracted from MCV, the resulting gap reflects consumer surplus—the additional value consumers receive beyond what they pay for a product. This represents the head-room available to make price adjustments.

It's important to simulate the impact of various price increases on volume, market share and top/

bottom-line revenue for both the product and the portfolio to ensure decisions align with business objectives.

Predictive modeling helps us determine the Strategic Price Index (SPI) that represents the optimal price ratio against owned and competing products that strikes the right trade off balance based on strategic goals, such as increasing margin or protecting market share.



Key elements to measure to make informed pricing decisions



Performance of your owned brand within its category



Interaction between owned brands and the competition



Interaction with other categories (i.e. substitutes)



Levers beyond pricing
(e.g. price pack architecture, trade promotions, brand building, new product development and demand enhancing attributes)

Using CSF to answer key questions around pricing

By quantifying key metrics around Consumer Surplus Factor, running predictive simulations, and identifying the optimal strategic price index, brands can answer key business questions around pricing and enable themselves to:



Gain a clearer picture of brand equity and relative pricing power against key competitors across markets, categories and channels



Identify where and how the brand's products and variants may be underperforming



Calculate headroom for price increases and tailor such increases within specific markets and channels



Address private label threats in price-sensitive categories



Predict trade-offs between pricing changes with respect to volume, revenue and market share



Rationalize the brand portfolio and price ladder based on consumer perceptions of value



Identify white space opportunities for new product development, premiumization and price-pack architecture (and launch at the right price)



Optimize promotions and media investments to maximize ROI



Understand the limitations of pricing growth as a lever versus investment in brand equity



Protect market share against their own and competitor pricing moves

Applying CSF insights to RGM process architecture

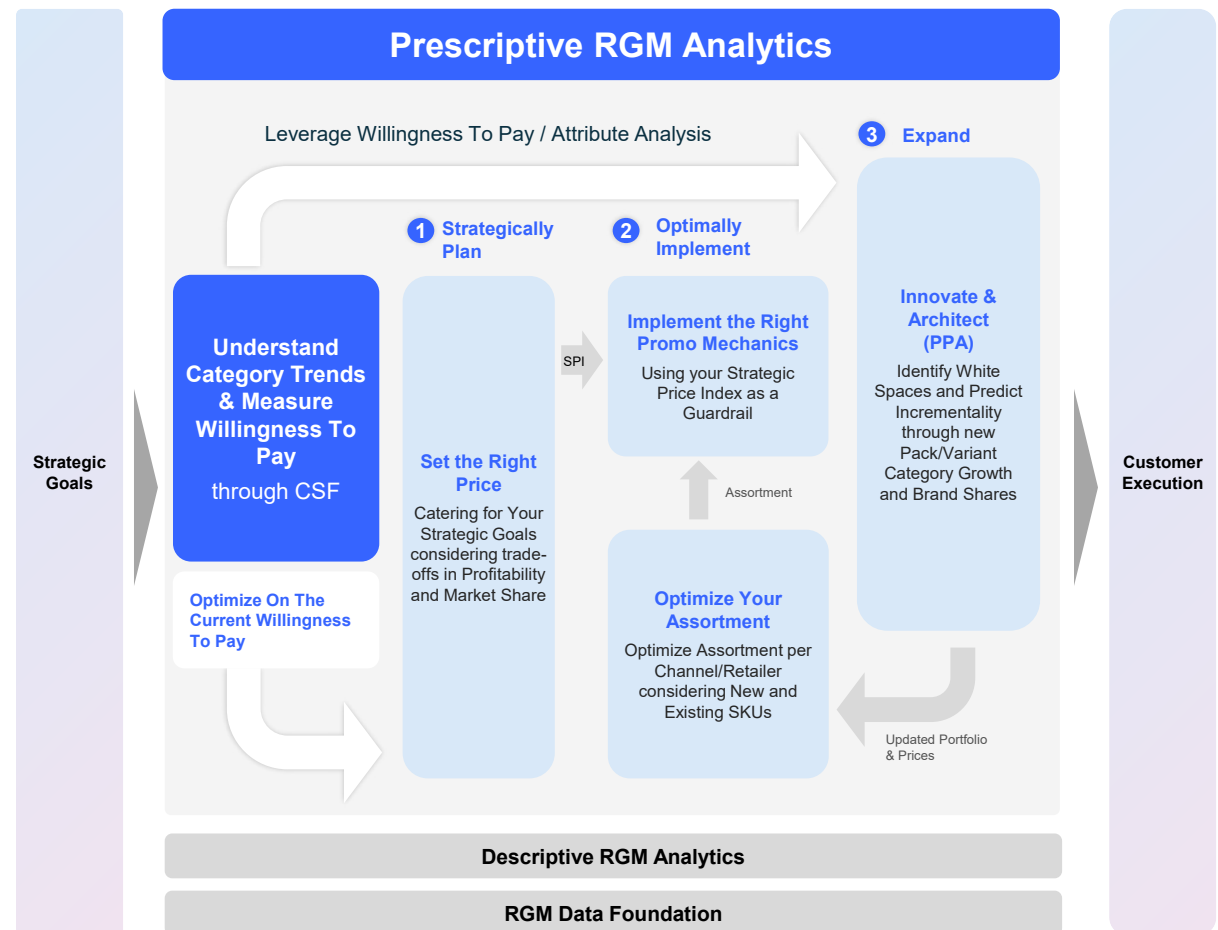
In addition to strategic pricing decisions, CSF can be applied to other critical activities within the Revenue Growth Management process, including:

Optimizing promotions through promo calendars and promo mechanics, keeping the Strategic Price Index as a guardrail

Optimizing assortments at the market, channel and retailer levels, considering new and existing SKUs

Performing attribute analysis to enhance positioning and improve consumer perceptions of the brand to lift Willingness To Pay

Identifying white space and innovation opportunities within the brand portfolio, channel mix and price pack architecture



Pricing study insights from FMCG industry

The following cases represent analysis and simulations from real brands across a broad range of business cases and strategic pricing questions.

They highlight that consumer preferences are dynamic, and price positioning is nuanced. Analysis often uncovers “unknowns” that inform more precision decisions that don’t always rely on price adjustments alone.

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Sustainable growth is the cornerstone of every business, and no brand wants to miss opportunities to increase margins

Of course, when CSF analysis confirms that pricing power is strong and the Consumer Surplus Factor large, there's ample headroom to safely raise prices to boost profits without any harm to market leadership.

But that's not always the case. We've worked with many brands where analysis exposes weaknesses in brand equity.

When consumers don't perceive variants as premium products

A global food major sought to determine whether its flavored baked goods variant was perceived as premium enough to justify a

higher price compared to its core variant in the UK market. The answer was no. Analysis revealed consumers' willingness to pay was in fact slightly lower than the core, with simulations showing raising price would be an unprofitable mistake.

When the cause of market share loss is declining brand equity, not price

Concerned over gradual EU market share loss within the price-sensitive foods / refreshment category an FMCG needed to reassess its pricing. Analysis showed declining CSF across its own brands year-over-year while competitors and private labels were all increasing. Consumers were switching because they perceived other brands offered better products at the same price.

In this case, price reductions would not correct the course. When facing competitors with stronger brand value, the best lever is to invest in brand building to regain consumer mindshare. It's not the quickest path to recovery, but one that ultimately protects long-term profits and avoids the category-wide race-to-the-bottom that often results from a myopic focus on price.



Optimizing the price ladder

Organizations typically lack the right data to rationalize a brand portfolio and price ladder from a consumer lens perspective, and brands are often challenged to gain consensus on decisions when situations are complex.

Capturing willingness to pay, calculating consumer surplus and simulating price index adjustments across the price ladder pinpoints where hidden threats and opportunities lie within markets, channels and categories – some of which are truly surprising to brands.

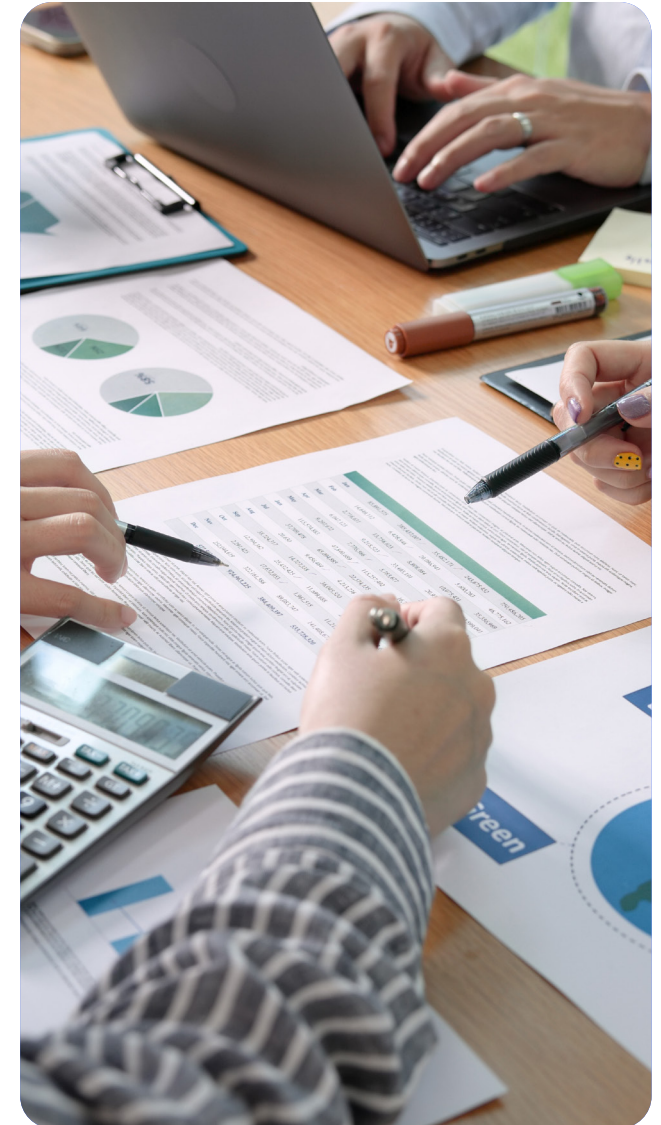
When repricing one variant cannibalizes share of another

With increased competition from private labels threatening market share, a globally recognized condiments brand needed to identify the right price index to strengthen

the position of its standard variant. Analysis uncovered that maintaining its current price index to Private Label 1 would result in lost market share, and reducing price to a ratio of MCVs across brands would help neutralize this threat. However, the brand also needed to determine the optimal price index for its own premium variant. The data suggested an index of 130 to its standard. Any lower and the premium variant would cannibalize the standard variant's share.

When a complex product offering confuses consumers

Facing market share decline within the EU, an FMCG major needed to calculate WTP on a per-product basis across a wide set of variants and packaging options within the foods/refreshment category. Our data showed varying levels of WTP that were not reflected in the current price ladder – products with low perceived value were priced higher than those with high perceived value and vice versa. Analysis enabled the brand to identify where pricing adjustments could balance value proposition with price within the portfolio to rationalize the price ladder, where loose ends could be cut, and which products could profitably enter new markets.



Responding to changing consumer preferences

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Consumer preferences drive demand, and when they shift some categories decline while other categories grow.

The key is to spot trends early, follow the consumer and understand the interaction between categories to pinpoint where strategic decisions can be made.

When consumers are willing to pay more for convenience

A global food major wanted to understand the pricing power delta between supermarket and convenience channels for its “on the go” variant. Analysis revealed there was sufficient headroom to raise convenience pricing based on consumers’ higher willingness to pay, but only in convenience channel. For the same variant in super-market however the willingness to pay was much lower.

When consumers lose interest in a category

For a leading CPG within the specialty frozen foods category, a decline in consumer perception of the category over time was responsible for slumping sales, not pricing or brand issues. The insight that the overall category required a price reduction to match demand enabled the brand to move first with price adjustment to protect share.



Earning your right to price, long term

As these cases demonstrate, uncovering consumer insights helps you course-correct before risks become realities and identify where your brand equity falls short relative to the competition.

Across over 70 brand analyses, we've continued to track the impact of strategic pricing on business outcomes in the marketplace beyond the point of decision (two to three purchase cycles) to validate that predictive models don't just reflect economic theory but how consumers actually make buying decisions in the real world.

We've learned that by focusing both on price and perception levers, brands not only mitigate threats and capture opportunities in the near term but also earn the "right to price" in the long term.

Consumer Surplus Factor methodology brings objectivity to brand equity. It grounds pricing in how consumers actually behave, and how much they are willing to pay for a product. That clarity is invaluable—especially when market conditions are volatile and consumer preferences are continuously evolving.

Rahul Ubgade

VP - Consumer, Retail and Logistics, Infosys



Conclusion

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Pricing questions rarely have simple answers. Willingness To Pay and Consumer Surplus Factor models allow brand teams to explore complex pricing dynamics more systematically and to simulate different scenarios before making significant changes.

While it's ultimately up to the brand to decide how price best aligns with strategic objectives, the methodology is a powerful tool to predict market share and P&L impact across price points. Even in cases where pricing actions are limited due to margin or cost constraints, WTP analysis can clarify where other levers—such as brand investment or pack architecture—may offer more effective paths forward.

Strategic pricing analysis as a foundational exercise also unlocks greater capabilities to enhance the rest of the key pillars within RGM process architecture, including promotion management, trade spend, commercial planning and assortment optimization. With consumer insights at the core of strategy, brands can mitigate near-term risks and maximize long-term business performance.

Struggling to measure your consumers' willingness to pay? Learn about the Infosys Equinox's Integrated RGM Suite and drive improved portfolio performance in 8 weeks.

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WANT TO GET STARTED?

Reach out to us contactus@infosysequinox.com

About Infosys Equinox

Infosys Equinox is an AI-powered, future ready digital commerce and marketing platform built using Microservices-based, API-first, Cloud-native, Headless and eXtensible (MACH-X) architecture that enables businesses to drive human-centric experiences for their customers across touch points. For more information and a product demo, please reach out to us at:

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