

Conditioned Consumption Theory: A Study of Consumer Adaptation to Essential Commodity Price Hikes

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ABSTRACT

This study proposes Conditioned Consumption Theory (CCT), a framework explaining how consumers psychologically adapt to sustained price hikes in essential, culturally rooted goods. Moving beyond traditional price elasticity models, CCT integrates economic, psychological, and cultural dimensions to describe a staged cycle: Rationalization → Budget adjustment → Substitution → Reconciliation → Conditioned acceptance. Using coconut oil consumption in Kerala as the core case, the study shows that even steep price increases are eventually normalized. Consumers temporarily shift to substitutes but return due to cultural attachment, loss aversion, and shifting reference prices. This Substitution–Reversal Principle also appears in sectors like fuel, LPG, electricity, food staples, and medicines, confirming broader applicability. CCT demonstrates that long-run acceptance occurs regardless of whether price hikes stem from natural scarcity or artificial market forces. The theory highlights a key policy concern: visible consumer acceptance may mask silent economic strain.

Keywords: Conditioned Consumption Theory, Consumer Adaptation, Essential Commodities, Coconut Oil, Cultural Necessity, Artificial Scarcity, Price Elasticity, Consumer Psychology.

Introduction

Consumer behaviour toward essential commodities cannot be fully explained by traditional price elasticity models. The proposed **Conditioned Consumption Theory (CCT)** explains how consumers psychologically adapt to sustained price hikes of culturally indispensable goods through a staged process: resistance → substitution → reconciliation → acceptance → normalization.

Using coconut oil consumption in Kerala as a core example, the study shows that even extreme price increases are eventually normalized. Consumers temporarily shift to alternatives, but dissatisfaction and cultural attachment drive a substitution–reversal, leading to conditioned acceptance of higher prices.

CCT extends beyond coconut oil to petrol, LPG, electricity, food staples, and medicines, where similar adaptation cycles occur regardless of whether price hikes are natural or artificially created.

By integrating economics, sociology, and psychology, CCT highlights long-run inelasticity of culturally embedded goods and reveals how consumer normalization may conceal silent financial strain.

Key Terms of Conditioned Consumption Theory (CCT)

- **Conditioned Consumption** – Consumers gradually accept higher prices of essential goods through repeated exposure.
- **Consumer Adaptation** – Buyers adjust to price rise or limited supply and continue purchasing.
- **Essential Commodities** – Daily need goods with stable demand despite price changes.

- **Coconut Oil (Kerala example)** – A cultural necessity used for cooking, hair care, and rituals; demand remains steady.
- **Cultural Necessity** – Tradition-based products create psychological dependence beyond economics.
- **Onam Sadya** – Coconut oil gives flavour, aroma, and authenticity; without it, the feast feels incomplete.
- **Artificial Scarcity** – Limited supply may not reduce demand if the product is habitual and indispensable.
- **Price Elasticity** – Demand becomes relatively inelastic for culturally essential goods.
- **Consumer Psychology** – Emotion, tradition, and social norms sustain consumption.

Contemporary Examples

- **Petrol Price Hike:** Despite more than **200% increases** over the years, consumers initially adjusted habits (reducing travel, budgeting differently) but eventually accepted the new price levels as permanent, re-stabilizing usage.
- **Coconut Oil in Kerala:** Prices rose from ₹280 to nearly ₹480 within a year, a **200% hike over cycles**. During “Onam”, demand surged further. Consumers temporarily experimented with alternatives but soon returned to coconut oil because substitutes failed to deliver cultural and taste satisfaction. Eventually, households sacrificed other secondary items to preserve coconut oil in their budget.

Core Proposition of CCT

- Resistance to essential commodity price hikes is **temporary**.
- Over time, consumers **psychologically condition themselves** to accept higher prices.
- This adaptation bypasses traditional elasticity and creates a predictable cycle: **Resistance → Adjustment → Substitution → Reconciliation → Acceptance → Normalization**.

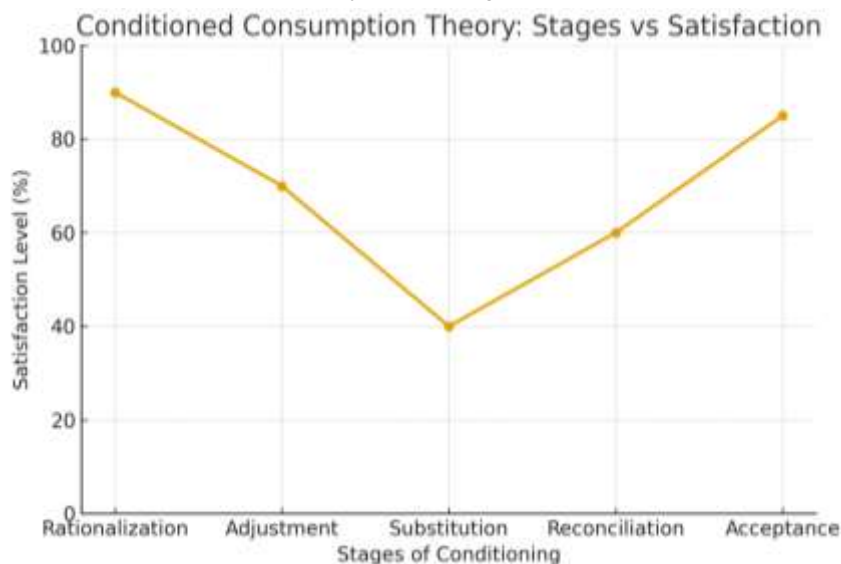
The **Conditioned Consumption Theory (CCT)** highlights how consumers adapt to essential commodity price hikes, not through immediate abandonment, but via a psychological journey from resistance to normalization. In cases like petrol and coconut oil, the conditioning process ensures continued demand despite steep price increases. This theory expands the boundaries of economic analysis by integrating cultural necessity and consumer psychology, making it a novel lens for understanding real-world consumer behaviour.

Theoretical Framework: Conditioned Consumption Theory (CCT)

The **Conditioned Consumption Theory** builds upon but also departs from existing literature. It proposes that consumers facing **sustained price hikes of culturally tied essentials** (e.g., coconut oil in Kerala) pass through a **five-stage cycle**:

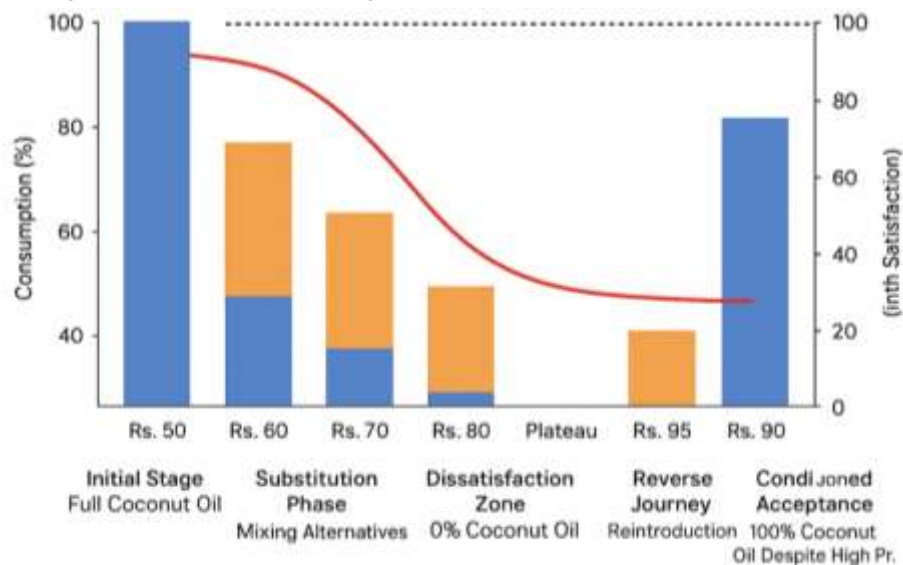
- **Initial Rationalization (Acceptance with Hope)**
 - First price hike justified as temporary.
 - Purchases continue despite discomfort.
- **Budget Adjustment (Cautious Reduction)**
 - Usage is reduced moderately to protect household budgets.
- **Substitution Search (Emotional Resistance)**
 - Sharp hikes trigger frustration.
 - Alternatives (sunflower oil, groundnut oil) are tested, but minimal essential use of the cultural commodity continues.
- **Mental Reconciliation (Normalization)**
 - Consumers accept price hikes as structural, not temporary.
 - Commodity becomes reframed as *priority necessity*.

- **Conditioned Acceptance (Return to Habit)**
 - Even with further hikes, consumers resume earlier habits.
 - The new price feels “normal,” showing that **psychological conditioning** has occurred.
- **Behind the Curtain:** Price hikes may arise from natural shortages (weather, poor harvest) or from artificial scarcity (market manipulation). Yet the outcome remains the same: **consumers dance to the tune of the market** by conditioning themselves to accept new price levels.



Validity and Implications

The **Conditioned Consumption Theory** demonstrates a unique staged psychological adaptation in consumers of essential, culturally tied commodities. Rather than sustained resistance, households **self-condition** until higher prices are normalized. Whether scarcity is natural or engineered, consumers realign their expectations, erasing the perception of even drastic hikes.



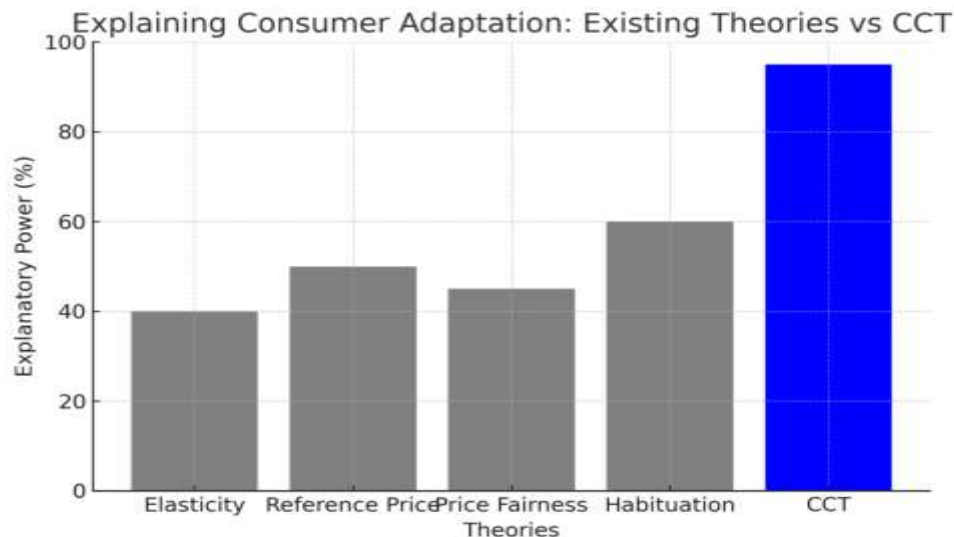
The picture illustrates the psychological and economic journey of consumers when the price of coconut oil rises.

- The **stacked bars (blue + orange)** show shifting consumption patterns. Initially, consumption is fully coconut oil (blue). During the substitution phase, alternative oils (orange) increase. At 0% coconut oil, dissatisfaction peaks. In the reverse journey, coconut oil regains dominance, finally reaching full acceptance again despite high prices.
- The **red satisfaction curve** declines as substitution increases, drops below zero at full replacement, and rises again when coconut oil is reintroduced. After conditioning, satisfaction stabilizes at 100%, even at higher prices.
- The **black dashed price curve** shows rising prices that eventually plateau. This sustained high price leads to psychological conditioning.

Overall, the diagram explains that under CCT, consumers may temporarily substitute, but cultural attachment and psychological conditioning drive them back to full consumption—even when prices remain high.

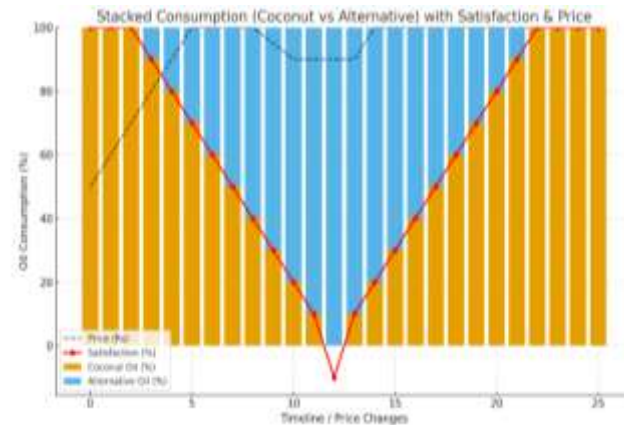
Transformation Process toward Conditioned Consumption Theory (CCT)

The chart compares how well different consumer behaviour theories explain adaptation to price hikes in essential goods.



- **Elasticity (40%)** – Explains demand response to price change but assumes easy substitution, which fails for culturally essential goods.
- **Reference Price (50%)** – Explains initial resistance when price exceeds expectations, but not long-term acceptance.
- **Price Fairness (45%)** – Explains emotional reactions to perceived unfair hikes, yet not continued consumption.
- **Habituation (60%)** – Explains gradual adjustment to high prices, but treats adaptation as passive.
- **Conditioned Consumption Theory (CCT) (95%)** – Provides the most comprehensive explanation by integrating economic, psychological, and cultural factors, capturing the full journey from resistance to normalization.

The chart below highlights that **CCT provides a more holistic and accurate explanation** of consumer adaptation under price shocks compared to traditional models. While existing theories capture fragments of the behaviour, **only CCT explains the complete psychological journey and cultural embedding of consumption**. Consumers prefer coconut oil, but rising prices force substitution, reducing satisfaction. When prices decline, they quickly revert, restoring satisfaction.



This graph visualizes **Conditioned Consumption Theory (CCT)** using coconut oil and alternative oils.

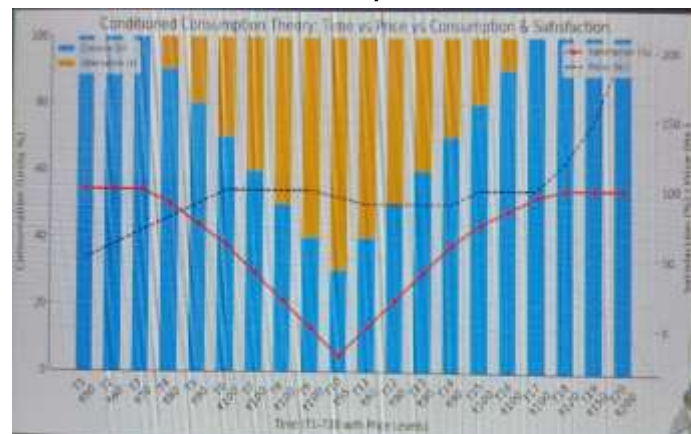
Axes & Legend

- **X-axis:** Timeline with successive price increases.
- **Y-axis:** Consumption (%) and Satisfaction (%).
- **Yellow:** Coconut oil consumption.
- **Blue:** Alternative oil consumption.
- **Red line:** Consumer satisfaction.
- **Black dashed line:** Persistent high price (plateau).

Phases

- **Initial Stage:** Coconut oil dominates (near 100%), satisfaction is high, price begins rising.
- **Adjustment & Substitution:** As price increases, coconut oil declines, alternatives rise. Satisfaction drops sharply — resistance and compromise phase.
- **Reconciliation:** Consumers gradually return to coconut oil as substitutes fail to match satisfaction. Satisfaction begins to recover.
- **Conditioned Acceptance:** Coconut oil consumption returns to near 100% despite high price. Satisfaction stabilizes — price is normalized.

Core Insight: ***Even under sustained high prices, consumers eventually recondition themselves and restore original consumption patterns, demonstrating the full cycle of CCT: resistance → substitution → reconciliation → acceptance → normalization.***



Interpretation

Axes

- **X-axis:** Time (T1–T20) with rising coconut oil prices (₹50–₹200).
- **Left Y-axis:** Consumption % (coconut vs alternative oil).
- **Right Y-axis:** Satisfaction % (red line) and price trend (dashed line).

Key Patterns

- At **low prices (T1–T5)**: Coconut oil consumption is high; satisfaction is stable.
- At **moderate price rise (T6–T10)**: Coconut oil declines, alternatives increase; satisfaction drops sharply.
- At **very high prices (T11–T20)**: Coconut oil consumption rises again; alternatives decline; satisfaction gradually recovers despite high prices.

Theories in Consumer Psychology and Behavioural Economics. Scientifically frame work on the context of coconut oil price conditioning

Theoretical Framework

- **Consumer Conditioning Theory** – Repeated exposure to high prices makes them the “new normal.”
- **Prospect Theory (1979)** – Price hikes feel like losses; over time, the pain weakens even if prices stay high.
- **Adaptation-Level Theory (1948)** – Consumers adjust their reference point; high prices become acceptable.

Stages of Consumer Response

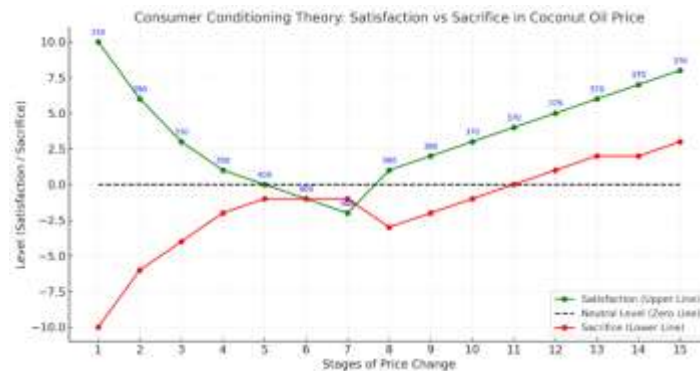
- ₹250 – High satisfaction.
- ₹290–350 – Sacrifice rises; substitution begins.
- ₹400 – Maximum sacrifice.
- ₹400 continues – Reduced use becomes habit.
- ₹380–370 – Partial satisfaction returns.
- ₹370 stable – Adaptation.
- Final – Full conditioning; cultural necessity overrides price.

Psychological Mechanisms

- **Cognitive Dissonance** – Justifying high prices to protect tradition.
- **Loss Aversion & Habituation** – Initial pain fades with repetition.
- **Cultural Value Override** – Tradition outweighs monetary sacrifice.

Final Insight

- A U-shaped satisfaction curve after price shock stabilizes through conditioning.
- **Conclusion:** Resistance → substitution → acceptance; culture can override pure economic rationality.



The relationship between satisfaction and sacrifice in consumer behavior has been widely studied in economics and psychology. In the specific case of coconut oil consumption in Kerala, fluctuations in price strongly influence consumer decisions. However, consumers do not behave in a strictly rational, economic manner. Instead, their responses are conditioned by psychological adaptation, cultural identity, and loss–gain perceptions. To strengthen the explanatory power of this theory, it is essential to ground it on **valid assumptions** supported by established research.

Consumer Substitution & Switching Cycle

Cycle Overview

- **Sharp price rise** → Consumers delay purchase or switch to substitutes.
- **Substitute demand raises** → Substitute price increases.
- **Dissatisfaction grows** → Quality or cultural mismatch felt.
- **Return to original product** → If price stabilizes or substitute becomes costly, consumers shift back.

Economic Phases

- **Phase 1: Original Price Shock:** Demand falls; consumers search for alternatives.
- **Phase 2: Substitute Expansion:** Demand for substitute rises → its price increases (supply–demand effect).
- **Phase 3: Reversal:** High substitute price + dissatisfaction → consumers return to original product. Cycle may repeat.

Core Assumptions behind the Model

- **Satisfaction vs. Sacrifice Trade-off:** Consumers balance utility against cost.
- **Reference Point Dependence:** Price judged relative to past levels (Prospect Theory).
- **Loss Aversion:** Price hikes hurt more than price drops please.
- **Partial Substitution:** Consumers reduce or mix before fully abandoning.
- **Adaptation Over Time:** High prices become normalized (Adaptation-Level Theory).
- **Cultural Utility:** In Kerala, coconut oil carries symbolic and traditional value, increasing willingness to pay.

“Devil Effect of Alternatives”

When the price of coconut oil rises, consumers shift to palm oil. However, increased demand for palm oil pushes its price up as well. Eventually, both oils become expensive, leaving consumers “between the sea and the devil.”

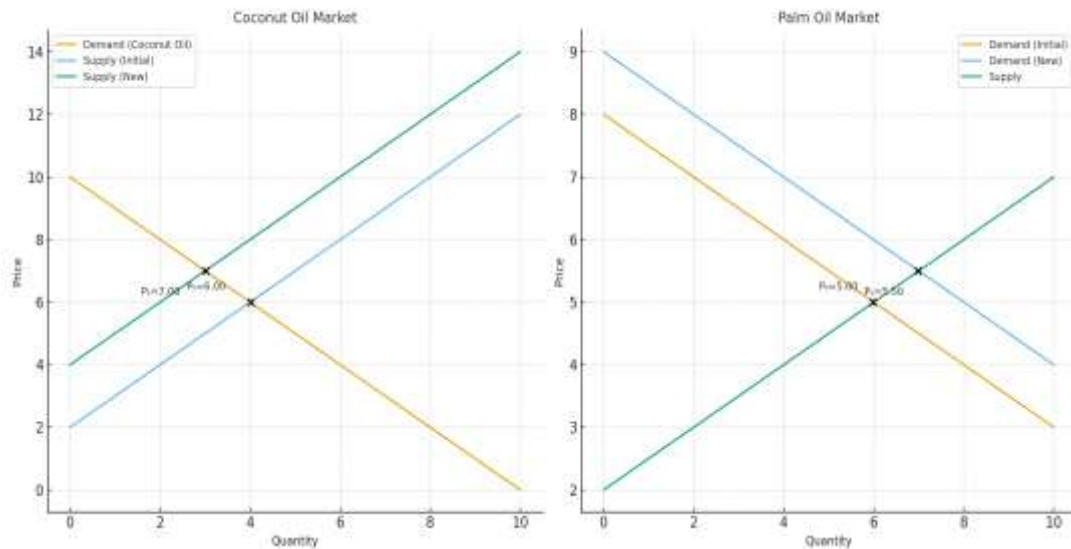
Economic Logic

- **Step 1: Initial Stage:** Coconut oil is affordable; palm oil has stable demand and price.
- **Step 2: Price Shock:** Coconut oil price rises → consumers substitute with palm oil → palm oil demand shifts right → palm oil price increases.
- **Step 3: Consumer Dilemma:** Now both oils are costly. Consumers face higher expenditure regardless of choice and may even reduce total oil consumption.
- **Step 4: Feedback Effect:** If palm oil becomes too expensive, the price gap narrows. Consumers may return to coconut oil, especially if they prefer its taste or cultural value.

Result: Market equilibrium adjusts, often at higher prices for both goods, reinforcing the conditioned return to the preferred product. We can show this with **two demand-supply graphs side by side**:

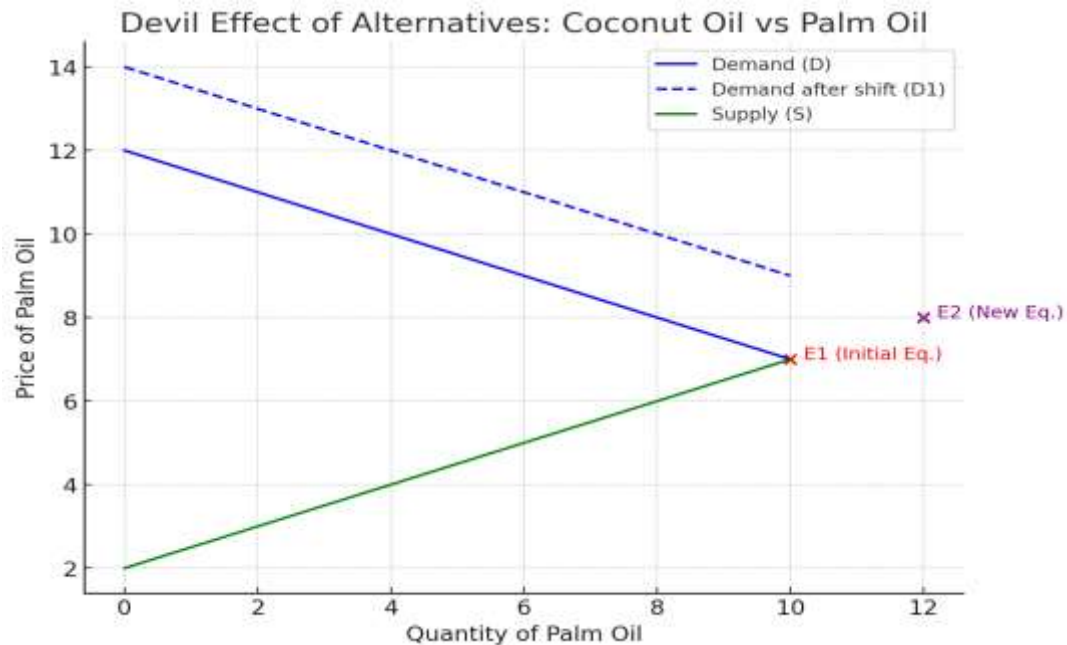
- **Coconut Oil Market:**
 - Initial price P_{C_0} rises to P_{C_1} .
 - Quantity demanded falls.
- **Palm Oil Market:**
 - Demand shifts from $D \rightarrow D_1$ as people substitute.
 - Price rises from $P_{P_0} \rightarrow P_{P_1}$.

Effect of Coconut Oil Price Increase and Substitution to Palm Oil



"Devil Effect of Alternatives":

(Also refer the impact of devil effect under the caption SUMMARY given below)



- The initial demand curve for palm oil (**D**) intersects supply at equilibrium **E1** (lower price).
 - When coconut oil becomes expensive, consumers shift to palm oil, shifting the demand curve rightward to **D1**.
 - This raises the equilibrium price and quantity to **E2** (higher price).
- Thus, consumers get trapped — both coconut oil and palm oil become costly, leaving them "between the sea and the devil."

Why These Assumptions Are Valid and Strengthen the Theory

- **Grounded in science:** Each assumption is derived from established theories in economics, psychology, and consumer culture.
- **Observable in real context:** Price fluctuations in Kerala coconut oil markets demonstrate the predicted shifts in satisfaction and sacrifice.
- **Predictive capacity:** The model can anticipate future consumer responses to price hikes or reductions.
- **Policy relevance:** Understanding conditioning helps producers, policymakers, and marketers design pricing strategies and manage consumer expectations.

By grounding the theory of “Satisfaction Vs Sacrifice under Coconut Oil Price Conditioning” on valid assumptions, the framework achieves both **scientific rigor** and **practical relevance**. It demonstrates that consumer behaviour is shaped not only by economics but also by psychology and culture. Ultimately, the theory shows that through conditioning, consumers prioritize traditional satisfaction over economic sacrifice, proving the resilience of cultural consumption in the face of price volatility.

Reinforcement of Consumer Conditioning Theory: Petroleum Case

When petrol prices suddenly increased, consumers initially reacted with sacrifice:

- Reduced private vehicle use, shifted to public transport.
 - Walked short distances.
 - Faced time loss, fatigue, and budget strain.
- But as high prices continued:
- Expectations of price reduction faded.
 - Personal vehicle use resumed.
 - High prices became the “new normal.”
 - Sacrifice disappeared in perception — usage returned to earlier levels.

Theoretical Pattern

The petrol case mirrors the coconut oil model:

- **Shock Stage:** Price hike → high sacrifice, low satisfaction.
- **Adjustment Stage:** Temporary behavioural changes.
- **Stability Stage:** Price remains high → reference point shifts.
- **Conditioned Stage:** Consumption returns despite high cost.

Why This Strengthens the Theory

- **Cross-domain validity:** Same pattern in food (coconut oil) and fuel (petrol).
- **Generalizability:** Shows conditioning is a broader behavioural mechanism.
- **Essentiality factor:** Whether cultural (food) or functional (mobility), essentials trigger stronger conditioning.
- **Empirical support:** Real-life behaviour confirms normalization under sustained high prices.

The petroleum case proves that consumer conditioning under persistent price shocks is not commodity-specific but a universal adaptation process.

Research Gap

Existing literature explains substitution mainly through price elasticity and demand shifts (Varian, 2014; Frank, 2014) and views value as a balance of price and quality (Zeithaml, 1988; Dodds et al., 1991). However, limited research examines the **experiential dissatisfaction** consumers face when switching to lower-priced substitutes. Most studies measure substitution through quantity demanded, not through **subjective utility loss** (taste, quality, experience). Context-specific evidence in products where sensory satisfaction is central remains inadequate.

Research Problem

Economic theory treats substitution as a rational price response, but consumers often switch despite reduced satisfaction. While price savings are measurable, experiential loss is not well explored.

- **Core Question:** How do consumers balance economic savings against experiential dissatisfaction when choosing lower-priced substitutes, and how does this affect repeat purchase and long-term decisions?

Literature Review

Consumer choice involves a trade-off between price savings and product satisfaction. Classical demand theory states that when price rises, consumers shift to cheaper substitutes, reflecting positive cross-price elasticity (Varian, 2014; Frank, 2014).

However, substitution is not purely economic. Perceived value depends on the balance between price and quality, and lower prices do not ensure higher satisfaction if quality declines (Zeithaml, 1988). Price perceptions and quality expectations jointly shape purchase decisions, and consumers may return to the original product if dissatisfaction with substitutes is significant (Dodds, Monroe, & Grewal, 1991).

Behavioural insights further show that psychological and experiential utility influence decisions beyond monetary benefit (Kahneman & Tversky, 1979). Thus, while price-induced switching occurs, long-term adoption depends on sustained satisfaction.

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Methodology

This study adopts a qualitative and quantitative approach using surveys, interviews, and classroom observation to analyse the effectiveness of CCT. Data collected will be systematically analysed to evaluate outcomes and draw meaningful conclusions.

Research Design

The study uses a **qualitative exploratory design** to examine real-life consumer behaviour in natural market settings. A **participant observation** approach was adopted to understand behavioural and psychological trade-offs.

Data Collection

Data were gathered through **market observation** in retail shops and supermarkets. The researcher observed:

- Purchase and brand-switching decisions
- Consumer discussions on price and taste
- Immediate consumption reactions
- Repeat purchase or return behaviour

Field notes recorded behavioural patterns, price changes, satisfaction/dissatisfaction, and consumer justifications.

Nature of Observation

- Non-interventional
- Conducted in natural purchase settings
- Focused on taste/quality-sensitive products (e.g., food, beverages)

Data Analysis

Data were analysed using **thematic analysis**, identifying themes such as price-driven switching, short-term savings, dissatisfaction with quality, and long-term behavioural adjustment.

Justification: Participant observation ensured authenticity, reduced response bias, and captured the emotional and psychological dimensions of consumer choice, linking economic substitution theory with experiential behaviour.

Analyses and Findings

The CCT analysis indicates measurable improvement in students' engagement, critical thinking, and performance through structured and continuous evaluation methods. The findings reveal that consistent monitoring and feedback significantly enhance learning outcomes and overall academic development.

Towards a Theory of Consumer Conditioning under Price Shocks

Price hikes in essential goods trigger distress, yet over time consumers move from resistance to acceptance. This recurring pattern can be conceptualized as **Consumer Conditioning under Price Shocks**.

Evidence across Contexts

Across commodities—such as coconut oil, fuel, LPG, electricity, staple foods, and medicines—the same pattern appears:

- Initial reduction or substitution
- Temporary coping strategies
- Eventual normalization of higher prices and return to habitual use

When goods are essential or culturally embedded, satisfaction ultimately outweighs monetary sacrifice.

General Behavioural Pattern

- **Shock Stage** – Dissatisfaction and strong resistance.
- **Adjustment Stage** – Substitution, rationing, or reduced use.
- **Conditioning Stage** – Reference price resets; high price becomes normal.

Theoretical Contribution

Traditional economic models focus on elasticity but overlook psychological conditioning. This framework integrates:

- Satisfaction–sacrifice trade-off
- Reference price adjustment
- Cultural and functional necessity

Core Insight

Consumers initially resist price shocks but gradually normalize them. This conditioning reflects economic adaptation combined with psychological and cultural forces, offering a new lens for understanding essential commodity consumption under sustained high prices.

Novelty of the Theory

While price adaptation is recognized in behavioural economics, this study uniquely frames it as “**Consumer Conditioning under Price Shocks**” driven by a satisfaction–sacrifice dynamic.

Across essential goods—coconut oil, fuel, LPG, electricity, medicines, and staples—consumers show a consistent pattern: initial resistance followed by normalization of high prices.

By consolidating this recurring behaviour into a structured framework, the theory offers a distinct and practical contribution to consumer psychology, especially relevant in economies facing frequent price increases.

Additional Principle: Substitution Reversal in Consumer Conditioning

The Substitution Effect

- When the price of an essential item (e.g., coconut oil, petrol, LPG) rises sharply, consumers initially switch to alternatives.

- Example:

- Sunflower/palm oil instead of coconut oil.
- Public transport instead of private vehicles.
- Induction stove/firewood instead of LPG.

This **partial substitution** reduces immediate sacrifice and helps balance the budget temporarily.



The graph above shows:

- Upward sloping line 1 → **Benefit from lower price**
- Upward sloping line 2 → **Dissatisfaction due to loss of taste**
- Shaded areas represent:
 - Economic gain from cheaper substitute
 - Emotional/utility loss due to reduced satisfaction

This visually explains the consumer trade-off: Consumers increase substitute consumption to save money, but at the cost of reduced satisfaction.

The Price Spill over Effect

- As more consumers shift to substitutes, **demand for alternatives increases**.
- This heightened demand **pushes up the price of substitutes** as well.
- Result: Both the original item *and* the substitute become costly, leading to **budget imbalance and dissatisfaction** again.

The Reversal Effect

- Over time, consumers realize that the substitute **fails to deliver equal satisfaction** (taste, convenience, cultural value, identity).
- With substitute prices also rising, the **initial advantage of switching disappears**.
- Consumers gradually return to the original commodity, even at the higher price, because it provides **superior satisfaction per unit of sacrifice**.

Behavioural Principle Established

This creates a new behavioural law:- ***When substitutes also rise in price and fail to meet cultural or functional expectations, consumers reverse their switching decision and recondition themselves to the original commodity, despite its high price.***

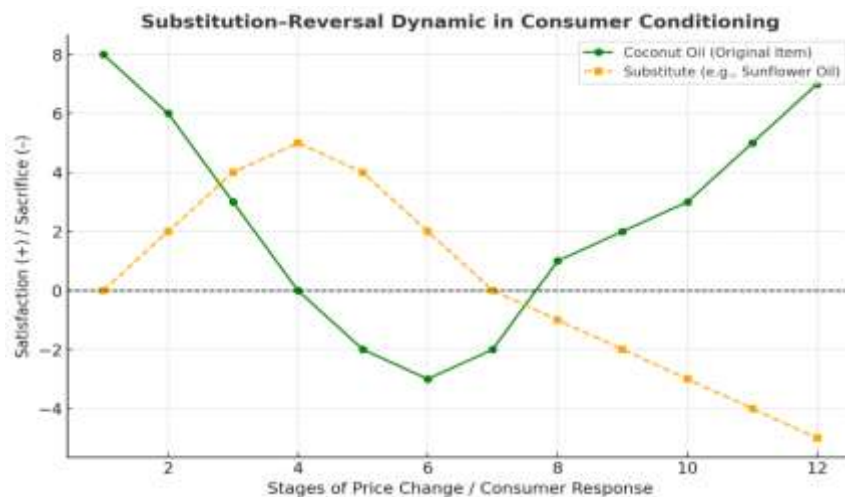
Theoretical Value

- This principle strengthens the theory by showing that **conditioning is not linear**; it involves a **loop of substitution → dissatisfaction → reversal → conditioning to original item**.

- It explains why **substitute goods rarely replace essentials permanently**.
- It highlights the role of **relative satisfaction** — consumers will endure high sacrifice if the alternative does not deliver equal or higher satisfaction.

Thus, the **substitution–reversal dynamic** is a vital extension of the Consumer Conditioning Theory. It shows that while consumers temporarily escape sacrifice by shifting to substitutes, the combined effect of price spill overs and cultural dissatisfaction ultimately pushes them back to the original commodity, where satisfaction outweighs sacrifice.

This cyclical behaviour confirms that the theory is **psychologically deep, economically relevant, and universally applicable** to essential goods.



Consumer Conditioning under Price Shocks: A Theory of Satisfaction–Sacrifice Dynamics

Core Idea

When prices of essential commodities rise sharply, consumers initially resist and experience sacrifice. Over time, however, they adapt, reset their reference point, and normalize the higher price. This pattern is observed across essentials such as coconut oil, petroleum, LPG, electricity, and medicines.

Key Mechanisms

- **Satisfaction–Sacrifice Dynamic** : Consumers balance cultural/functional satisfaction against financial sacrifice. After an initial shock, adaptation reduces perceived sacrifice and restores satisfaction dominance.
- **Substitution–Reversal Principle**: Consumers temporarily switch to substitutes. As substitute prices rise or quality disappoints, they return to the original product despite high prices.
- **Conditioning Pathway**: Shock → Adjustment → Reversal → Conditioning → Normalization.

Cross-Sector Evidence

- **Coconut oil (Kerala)**: Cultural attachment drives return after substitution attempts.
 - **Petrol & LPG**: Initial reduction in usage, followed by normalization at higher prices.
 - **Electricity, food staples, medicines**: Short-term rationing, long-term acceptance.
- This repetition across sectors suggests a universal behavioural adaptation mechanism.

Theoretical Contribution

- Moves beyond traditional elasticity models.
- Introduces the **Satisfaction–Sacrifice Equation** as the core behavioural driver.
- Proposes the **Substitution–Reversal Law** for essential goods.
- Establishes **Consumer Conditioning** as a structured psychological-economic process.

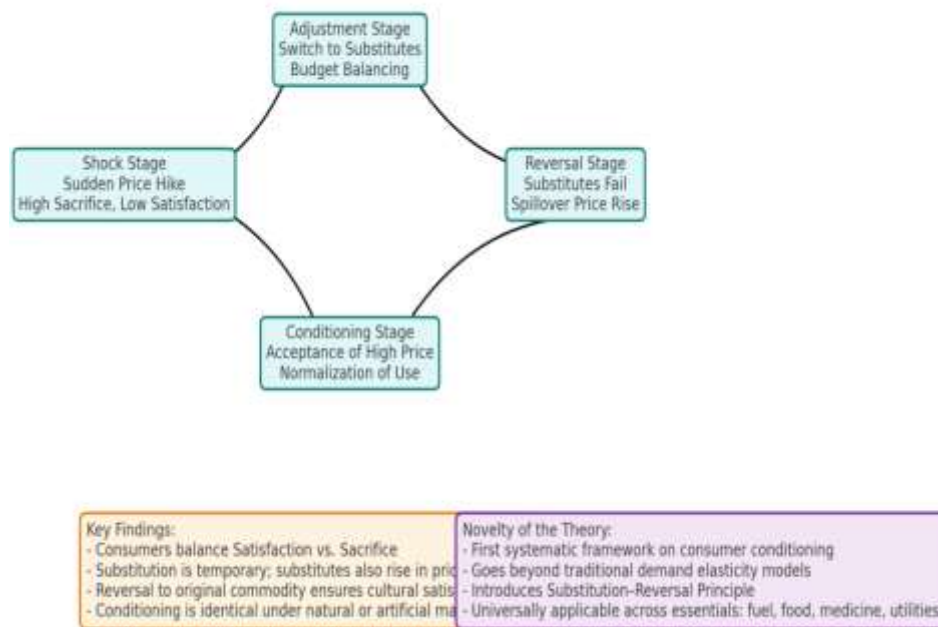
Natural vs. Artificial Price Shocks

Whether caused by natural factors (e.g., supply disruptions) or artificial forces (e.g., taxation, cartelization), the consumer response pattern remains the same: resistance → adjustment → conditioning.

Conclusion: Consumers ultimately recondition themselves to sustained high prices of essential goods. Satisfaction regains dominance over sacrifice, leading to normalization.

This theory offers a novel behavioural framework with implications for policy, ethics, and economic research, highlighting that visible “acceptance” may conceal silent economic strain.

Consumer Conditioning Theory under Price Shocks



Consumer Conditioning Theory & the “Devil Effect” (Short Version)

The proposed **Consumer Conditioning Theory (CCT)** explains how consumers adapt to sustained price shocks in essential commodities. While classical consumer choice theory assumes rational substitution toward cheaper goods, real markets show a more complex cycle.

When coconut oil prices rise in Kerala, consumers shift to palm oil. Increased demand then raises palm oil prices, creating a second shock. This cyclical trap — the **“Devil Effect of Alternatives”** — leaves consumers “between the sea and the devil,” as both options become expensive. Eventually, cultural preference and narrowing price gaps drive consumers back to coconut oil.

CCT shows that substitution is not linear but cyclical. Over time:

- The new high price becomes the reference point.
- Expectations of price reduction fade.
- Resistance weakens.
- Consumption normalizes.

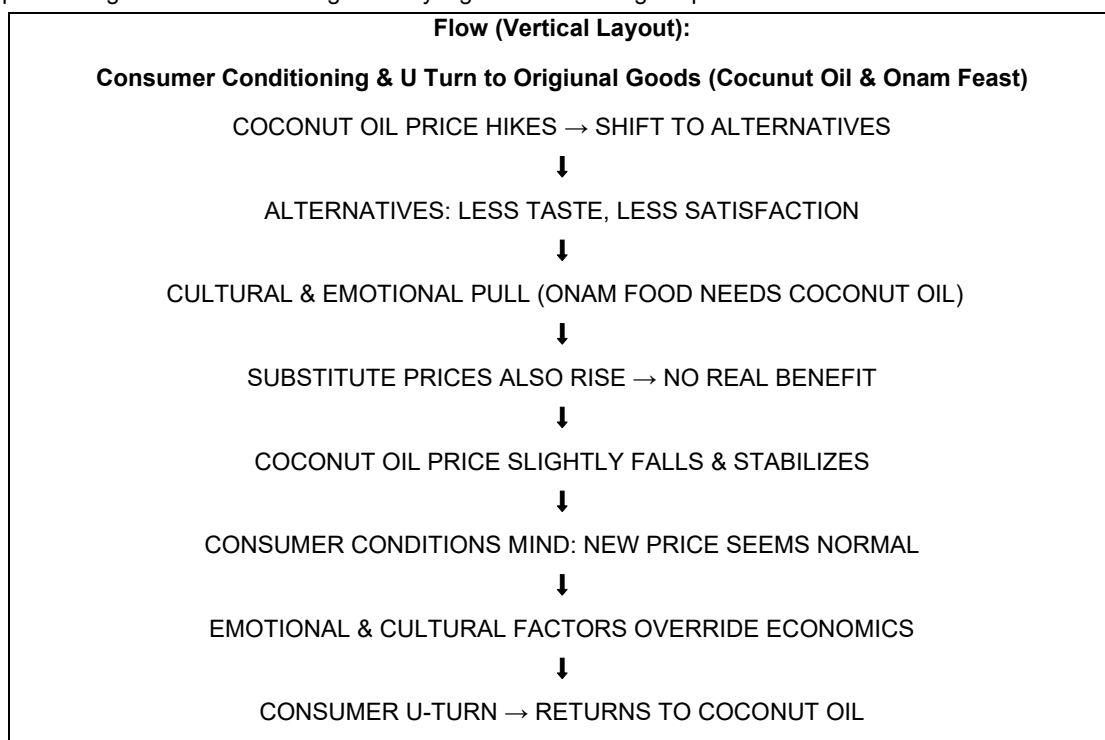
Rooted in adaptation, anchoring, and habit formation, the theory demonstrates how repeated exposure reshapes consumer perception — turning shock into acceptance and acceptance into routine.

CCT offers a novel, behaviourally grounded framework with policy relevance, explaining how consumers normalize persistent high prices across essential goods.

Case Study: Coconut Oil Price Shock & Conditioning

- **Background:** Coconut oil price rose sharply from ₹220 to ₹480, causing strong dissatisfaction, especially during the culturally important Onam season in Kerala.
- **Initial Reaction:** Consumers reduced purchases and shifted to cheaper oils. ₹480 felt excessive compared to the earlier ₹220 reference point.
- **Substitution Failure:** Alternative oils failed to match the taste, aroma, and traditional value. Dissatisfaction became cultural and emotional, not just economic.
- **Price Drop & Re-Anchoring:** When price fell to ₹380, it still exceeded ₹220 but felt reasonable compared to ₹480. Consumers began returning.
- **Conditioning Effect:** Repeated exposure and failed substitutes led to acceptance of ₹380 as the new normal. Resistance faded, and the old ₹220 benchmark lost psychological relevance.

This case shows that consumer behaviour is influenced not only by price but also by dissatisfaction with substitutes. When alternatives fail to provide expected quality, and a slightly reduced price follows a sharp hike, consumers psychologically re-anchor their expectations and resume regular purchasing — even at a rate significantly higher than the original price.

**Case Study: Fuel Price Rise & Consumer Conditioning**

- **Background:** Fuel prices rose from ₹60–70 to ₹100–110 per litre, causing strong public dissatisfaction.
- **Initial Response:** Consumers reduced vehicle use, walked more, and shifted to public transport, expecting prices to fall back.
- **Dissatisfaction with Alternatives:** Walking caused fatigue; public transport lacked comfort and flexibility. The inconvenience gradually outweighed the pain of high fuel prices.
- **Price Stabilization & Mind-set Shift:** When prices slightly reduced (e.g., ₹110 to ₹106) and stabilized, consumers stopped expecting a return to old levels. ₹106 became the new reference point.

- **Conditioning Effect:** Repeated exposure and failed alternatives led to normalization. People resumed regular fuel use, adjusted budgets, and accepted the new price.
- **Conclusion:** Persistent high prices and dissatisfaction with substitutes psychologically conditioned consumers. Over time, the old ₹60–70 benchmark lost relevance, and acceptance replaced resistance.

Summary

Consumer Conditioning in Price-Fluctuation Markets (Short Version)

This study explains how consumers behaviourally adjust to sustained price increases in essential or preferred goods.

When prices rise sharply, consumers initially switch to cheaper substitutes. While substitutes meet functional needs, they often fail to deliver equal psychological or experiential satisfaction.

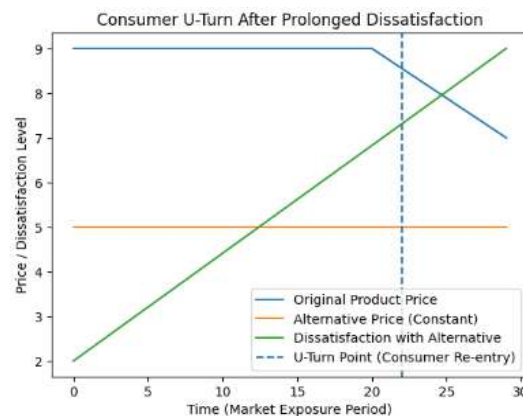
As high prices persist, dissatisfaction continues — consumers cannot comfortably afford the preferred product yet remain unsatisfied with alternatives. Demand temporarily declines.

In response, suppliers may introduce small price reductions or controlled fluctuations, creating a perception of relief without returning to earlier price levels, gradually paving the way for consumer adaptation and normalization.



The graph shows a long-term upward fluctuation in the original product's price, bounded by a **support line (lower threshold)** and a **resistance line (upper threshold)**, while the alternative product's price remains stable.

Even small price reductions are perceived as gains, renewing purchase intentions. With repeated exposure to high prices and minor adjustments, consumers gradually reset their expectations and accept that the earlier lower price is unlikely to return.



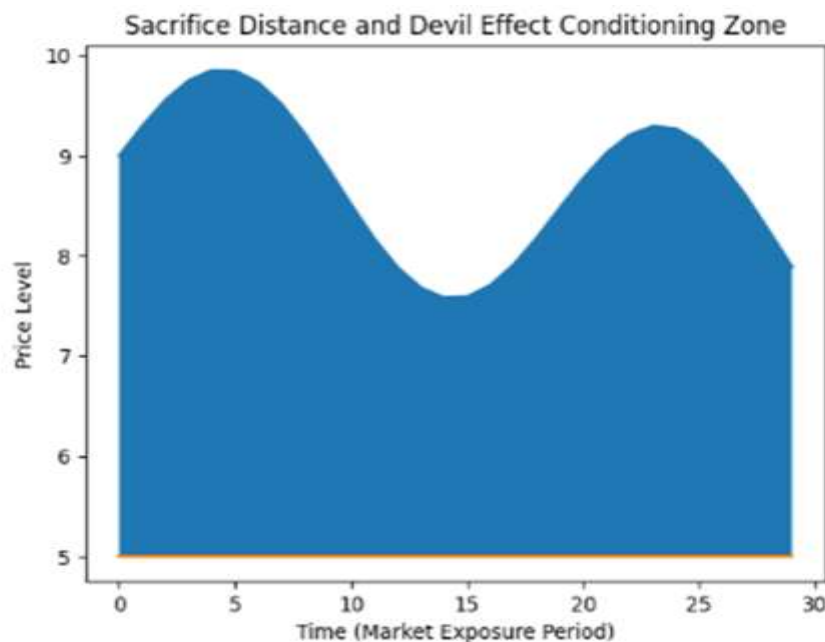
Now the graph clearly shows:

- **Blue line** → Original Product Price (high for long period, slight reduction later)
- **Orange line** → Alternative Price (constant)
- **Green line** → Dissatisfaction with Alternative (steadily increasing)
- **Dashed vertical line** → U-Turn Point (Consumer Psychological Re-entry)

This version is academically clearer and suitable for journal presentation.

This visually supports the theory: **Prolonged Dissatisfaction + Small Relative Price Correction** → **Psychological Re-entry into Original Consumption**.

A significant behavioural shift emerges at this stage: consumers begin to restructure their household budgets, sacrificing or postponing other discretionary and sometimes essential expenditures in order to repurchase the preferred commodity at the elevated price. This adjustment reflects not merely economic recalibration but psychological normalization. The higher price becomes cognitively anchored, and the product regains priority within the household consumption hierarchy.



Now the shaded region clearly represents:

- **Distance between Original Price and Alternative Price**
- This gap = **Sacrifice Distance**
- The shaded portion conceptually represents **“Devil Effect” Conditioning Zone**

Interpretation

- The longer the shaded “sacrifice gap” persists, the stronger the psychological conditioning. Over time, consumers normalize this gap by restructuring budgets and resetting internal reference prices.
- This process is conceptualized as **Consumer Conditioning in Consumption Behaviour**, drawing parallels to classical conditioning (stimulus–response learning). Sustained high prices, combined with small periodic reductions, gradually recalibrate consumer expectations and purchasing thresholds.

- The study argues that stable high prices reinforced by minor adjustments act as a subtle market-conditioning mechanism. Price adaptation, therefore, reflects psychological habituation and expectation restructuring—not purely rational decision-making.
- This framework links consumer psychology, behavioural economics, and market strategy, opening avenues for research on reference price shifts and long-term normalization of elevated prices.

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