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Price Sensitivity and Value Perception under Inflationary Pressure: A Mixed-Methods Investigation

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Abstract

Inflationary episodes fundamentally alter the economic landscape within which consumers make purchasing decisions, yet the psychological and behavioral mechanisms through which inflation shapes price sensitivity and value perception remain incompletely theorised. This paper presents a mixed-methods investigation examining how sustained inflationary pressure reconfigures consumer price sensitivity, perceived value, and willingness to pay across product categories. Drawing on a quantitative survey of 487 adult consumers combined with 32 in-depth qualitative interviews, the study integrates behavioral economics, reference-dependent utility theory, and mental accounting frameworks to explain observed patterns. The study was conducted in the United Kingdom during the 2021-2024 inflationary episode, when UK CPI peaked at 11.1% in October 2022. Quantitative findings reveal that perceived inflation is significantly and positively associated with price sensitivity ($\beta = .41$, $p < .001$), while simultaneously associated with lower hedonic and utilitarian value perceptions, with hedonic value experiencing a larger proportional decline. Structural equation modelling identifies income certainty and product category involvement as significant moderators of these relationships. Qualitative thematic analysis surfaces five dominant adaptation strategies employed by consumers: systematic downtrading, strategic stockpiling, brand repertoire expansion, quality-threshold anchoring, and discretionary expenditure suspension. Triangulation of quantitative and qualitative data reveals that consumers construct layered cognitive frameworks distinguishing between "price fairness" and "value for money," and that these constructs diverge substantially under high inflationary conditions. The findings extend prospect theory and mental accounting models into macroeconomic contexts, offering actionable insights for pricing strategy, retail management, and consumer welfare policy. Implications for marketers, policymakers, and future research

directions are discussed.

Keywords

Price Sensitivity, Value Perception, Inflation, Consumer Behavior, Behavioral Economics, Willingness to Pay, Mental Accounting, Mixed Methods, Price Elasticity, Purchasing Decisions

1. Introduction

The persistence of elevated inflation rates across major economies during the post-pandemic period has reignited scholarly and practitioner interest in understanding how consumers respond to sustained price increases (Charbonneau, 2025; Aguirre, 2024). Between 2021 and 2024, consumer price indices in the United States, the United Kingdom, and the European Union reached multi-decade highs, fundamentally altering the purchasing environment for hundreds of millions of households. Yet despite the macroeconomic salience of this phenomenon, the psychological and behavioral mechanisms through which inflation reshapes consumer price sensitivity and value perception remain incompletely theorised and empirically underexplored.

Price sensitivity—defined as the degree to which a consumer's purchase probability or quantity demanded changes in response to price fluctuations—is a foundational construct in consumer research and marketing science (Monroe, 2003; Nagle & Müller, 2018). Classical economic models treat price sensitivity as a stable preference parameter, but decades of behavioral research have demonstrated that sensitivity to price is context-dependent, shaped by reference points, framing effects, and cognitive heuristics (Kahneman & Tversky, 1979; Thaler, 1985). Inflationary environments introduce a unique form of contextual volatility: prices rise across categories, reference points shift continuously, and consumers must recalibrate their mental accounting systems in real time (Shafir et al., 1997).

Value perception—the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given—is similarly dynamic (Zeithaml, 1988). Under stable price conditions, value perception is anchored to relatively stable reference prices and quality expectations. However, when inflation erodes purchasing power and disrupts established price-quality heuristics, consumers may fundamentally reassess what constitutes "good value" (Homburg et al., 2005). This recalibration process is not uniform across product categories; hedonic goods (those purchased primarily for pleasure and experiential benefits) and utilitarian goods (those purchased for functional and instrumental reasons) may exhibit divergent patterns of value erosion under inflationary pressure (Dhar & Wertenbroch, 2000).

Despite the theoretical richness of these constructs, empirical research examining the interplay between inflation, price sensitivity, and value perception remains

sparse. Most existing studies focus on short-term price promotions or isolated price changes rather than sustained macroeconomic inflation (Grewal et al., 1998; Kalwani & Yim, 1992). Moreover, the literature has largely neglected the psychological mechanisms—such as loss aversion, mental accounting adjustments, and fairness perceptions—that mediate consumer responses to inflationary shocks (Kahneman et al., 1986). This gap is particularly problematic given that inflation affects not only the absolute price level but also consumers' expectations, reference points, and trust in pricing institutions (Bolton et al., 2003).

This study addresses these gaps through a sequential mixed-methods design that combines quantitative survey data (n = 487) with qualitative in-depth interviews (n = 32). The quantitative phase tests a structural model linking perceived inflation to price sensitivity, hedonic and utilitarian value perceptions, and willingness to pay, while examining moderating roles of income certainty and product involvement. The qualitative phase explores the cognitive and emotional processes through which consumers adapt to inflationary pressure, surfacing strategies, heuristics, and fairness judgments that quantitative measures alone cannot capture. By triangulating these data sources, the study offers a richer, more nuanced understanding of how inflation reconfigures consumer decision-making.

The paper makes several contributions. First, it extends behavioral economics frameworks—particularly prospect theory, mental accounting, and reference-dependent utility—into the domain of macroeconomic inflation, demonstrating how these micro-level mechanisms operate under sustained price pressure. Second, it provides empirical evidence of differential effects across hedonic and utilitarian product categories, advancing theoretical understanding of category-specific value perception. Third, it introduces the concept of the "inflation-adjusted value threshold" (IAVT), a cognitive benchmark that consumers use to evaluate whether a product's price increase is justified by its perceived benefits. Fourth, it offers actionable insights for pricing strategy, retail management, and consumer welfare policy in inflationary contexts. Finally, by employing a rigorous mixed-methods approach, the study models best practices for integrating quantitative and qualitative evidence in consumer research.

The remainder of this paper is structured as follows. Section 2 reviews the literature on price sensitivity, value perception, inflation, and behavioral economics, identifying key theoretical frameworks and empirical gaps. Section 3 develops a conceptual model and formal hypotheses. Section 4 describes the mixed-methods research design, including sampling, measurement, and analytical procedures. Section 5 presents quantitative and qualitative findings. Section 6 discusses theoretical and practical implications, limitations, and directions for future research. Section 7 concludes.

2. Literature Review

2.1. Price Sensitivity: Definitions and Determinants

Price sensitivity, also termed price elasticity of demand in economic contexts, re-

fers to the responsiveness of consumer purchase behavior to changes in price (Monroe, 2003; Nagle & Müller, 2018). In marketing science, price sensitivity is conceptualized as a psychological construct reflecting the degree to which price information influences purchase decisions, encompassing both the probability of purchase and the quantity purchased (Tellis, 1988). Classical economic theory posits that price sensitivity is determined by factors such as the availability of substitutes, the proportion of income spent on the product, and the necessity of the product (Varian, 2014). However, behavioral research has demonstrated that price sensitivity is also shaped by cognitive and affective factors, including reference prices, perceived fairness, and loss aversion (Kahneman et al., 1986; Winer, 1986).

Reference price theory suggests that consumers evaluate prices relative to internal standards or benchmarks, and that deviations from these reference points trigger differential responses (Kalwani & Yim, 1992; Mazumdar et al., 2005). When a price exceeds the reference price, consumers experience a "loss" that increases price sensitivity; when a price falls below the reference price, consumers experience a "gain" that may reduce sensitivity (Thaler, 1985). Importantly, reference prices are not static; they adapt over time in response to observed market prices, promotional activity, and broader economic conditions (Briesch et al., 1997). This adaptive process is central to understanding how sustained inflation reshapes price sensitivity.

Empirical studies have identified numerous determinants of price sensitivity, including product category characteristics (e.g., necessity vs. luxury), consumer characteristics (e.g., income, price consciousness), and situational factors (e.g., purchase urgency, store environment) (Grewal et al., 1998; Narasimhan et al., 1996). However, most of this research has been conducted in stable or low-inflation environments, leaving open the question of how these determinants interact with macroeconomic price shocks.

2.2. Value Perception: Conceptual Foundations

Value perception is a multidimensional construct representing the consumer's overall assessment of a product's utility based on what is received (benefits, quality, features) relative to what is given (price, effort, time) (Zeithaml, 1988). Zeithaml's seminal framework distinguishes four types of value: 1) value as low price, 2) value as whatever the consumer wants in a product, 3) value as the quality received for the price paid, and 4) value as what is received for what is given. Subsequent research has refined this typology, emphasizing the role of perceived quality, perceived sacrifice, and the trade-offs consumers make between these dimensions (Sweeney & Soutar, 2001).

Perceived value is a key driver of purchase intention, satisfaction, and loyalty (Cronin et al., 2000; Woodruff, 1997). However, value perceptions are not fixed; they are constructed through cognitive processes that integrate product attributes, contextual cues, and individual preferences (Holbrook, 1999). In particular, value

perception is sensitive to framing effects, anchoring, and the salience of price versus quality information (Völckner, 2008). Under inflationary conditions, the "what is given" component of value (i.e., price) increases across the board, potentially overwhelming the "what is received" component and leading to a net decline in perceived value.

2.3. Hedonic vs. Utilitarian Value

A critical distinction in value perception research is between hedonic and utilitarian value (Babin et al., 1994; Dhar & Wertenbroch, 2000). Hedonic value derives from the experiential, affective, and sensory benefits of consumption—pleasure, enjoyment, and emotional gratification. Utilitarian value, by contrast, derives from the functional, instrumental, and task-related benefits of consumption—efficiency, problem-solving, and goal achievement (Hirschman & Holbrook, 1982).

Consumers evaluate hedonic and utilitarian products using different criteria and heuristics (Okada, 2005). Hedonic purchases are often subject to guilt, justification concerns, and greater price sensitivity when budgets are constrained (Kivetz & Simonson, 2002). Utilitarian purchases, being more necessity-driven, may exhibit lower price elasticity but are still subject to downtrading and substitution when prices rise (Strahilevitz & Myers, 1998). Importantly, the same product can deliver both hedonic and utilitarian value, and the relative weight consumers assign to each dimension may shift under economic stress (Chitturi et al., 2008).

2.4. Inflation and Consumer Behavior

Inflation—a sustained increase in the general price level—affects consumer behavior through multiple channels. First, it erodes real purchasing power, forcing consumers to adjust consumption bundles (Eastwood & Craven, 1981). Second, it introduces uncertainty about future prices, which can accelerate purchases (stockpiling) or delay them (wait-and-see) depending on expectations (Bachmann et al., 2015). Third, it disrupts established reference prices and mental accounting systems, requiring cognitive effort to recalibrate value assessments (Shafir et al., 1997).

Empirical research on inflation and consumer behavior has documented several key patterns. Consumers exhibit "money illusion," focusing on nominal rather than real price changes, which can lead to suboptimal decisions (Shafir et al., 1997). They also display asymmetric responses to price increases versus decreases, consistent with loss aversion (Kahneman & Tversky, 1979). Moreover, inflation can trigger shifts in brand loyalty, store choice, and product category preferences, as consumers seek to maintain consumption levels within tightened budgets (Lamey et al., 2007).

Recent studies have examined consumer responses to the post-2021 inflationary surge. Charbonneau (2025) finds that Canadian consumers increased price search and comparison behavior, while Aguirre (2024) documents a shift toward

private-label brands in the United States. Morningconsult reports that inflation concerns dominate consumer sentiment surveys, with significant heterogeneity across income groups. However, these studies are largely descriptive and do not test formal theoretical models linking inflation perceptions to price sensitivity and value perception.

2.5. Behavioral Economics and Inflation

Behavioral economics offers several frameworks for understanding how inflation affects consumer decision-making. Prospect theory (Kahneman & Tversky, 1979) posits that individuals evaluate outcomes relative to a reference point and exhibit loss aversion—losses loom larger than equivalent gains. In an inflationary context, price increases are framed as losses relative to previous prices, amplifying negative reactions and increasing price sensitivity (Tversky & Kahneman, 1991).

Mental accounting theory (Thaler, 1985; 1999) suggests that consumers organize financial decisions into separate mental accounts (e.g., groceries, entertainment, savings), each with its own budget and decision rules. Inflation disrupts these accounts by increasing expenditures across categories, forcing consumers to reallocate budgets, merge accounts, or revise decision rules. This cognitive restructuring can lead to shifts in spending priorities, with discretionary (hedonic) categories often bearing the brunt of cuts (Heath & Soll, 1996).

Reference-dependent utility models (Tversky & Kahneman, 1991; Köszegi & Rabin, 2006) formalize the idea that utility depends not only on absolute consumption levels but also on deviations from reference points. When inflation raises prices above reference levels, consumers experience a utility loss even if their nominal income remains constant. This framework predicts that consumers will be more sensitive to price increases in categories where reference prices are well-established and salient.

2.6. Price Fairness and Trust

Perceived price fairness—the consumer's judgment of whether a price is reasonable, acceptable, or just—is a critical mediator of price sensitivity and purchase intention (Xia et al., 2004). Fairness perceptions are shaped by comparisons to reference prices, attributions about the seller's motives, and social norms (Bolton et al., 2003). When consumers perceive a price increase as unfair (e.g., due to opportunistic profit-seeking rather than cost pressures), they react more negatively than when the increase is seen as justified (Kahneman et al., 1986).

Inflation complicates fairness judgments because it is a systemic, economy-wide phenomenon. Consumers may struggle to attribute responsibility for price increases, leading to diffuse feelings of unfairness directed at retailers, manufacturers, or policymakers (Campbell, 1999). Moreover, repeated exposure to price increases can erode trust in pricing institutions, reducing consumers' willingness to accept future increases and increasing their propensity to search for alternatives (Grewal et al., 2004).

2.7. Income Certainty and Economic Vulnerability

Income certainty—the degree to which a consumer expects stable and predictable income flows—is a key moderator of responses to economic shocks (Jappelli & Pistaferri, 2010). Consumers with high income certainty (e.g., tenured employees, retirees with fixed pensions) can smooth consumption over time and are less sensitive to short-term price fluctuations. Consumers with low income certainty (e.g., gig workers, those in precarious employment) face greater economic vulnerability and exhibit heightened price sensitivity and risk aversion (Lusardi et al., 2011).

Inflation exacerbates these disparities. For low-income and income-uncertain households, inflation represents a direct threat to consumption adequacy, forcing difficult trade-offs between necessities (Eastwood & Craven, 1981). For higher-income households, inflation may be more of an annoyance than a crisis, leading to adjustments in discretionary spending but not fundamental lifestyle changes (Aguirre, 2024).

2.8. Product Involvement and Category Differences

Product involvement—the perceived personal relevance and importance of a product category—shapes the depth of information processing and the weight assigned to different product attributes (Zaichkowsky, 1994). High-involvement categories (e.g., automobiles, electronics) elicit extensive search, deliberation, and sensitivity to quality cues. Low-involvement categories (e.g., household staples) are characterized by habitual purchasing and greater reliance on heuristics such as brand familiarity and price (Petty & Cacioppo, 1986).

Involvement interacts with hedonic/utilitarian distinctions to shape value perception. High-involvement hedonic products (e.g., luxury fashion) may be particularly vulnerable to value erosion under inflation because their purchase is discretionary and emotionally laden. High-involvement utilitarian products (e.g., home appliances) may retain value if they are seen as necessary investments. Low-involvement products of both types may see shifts toward cheaper alternatives as consumers reduce cognitive effort in the face of budget pressure (Laurent & Kapferer, 1985).

2.9. Willingness to Pay and Purchase Intention

Willingness to pay (WTP) is the maximum price a consumer is prepared to pay for a product, reflecting the upper bound of acceptable sacrifice for the perceived benefits (Wertenbroch & Skiera, 2002). WTP is influenced by perceived value, reference prices, income constraints, and contextual factors such as scarcity and social proof (Homburg et al., 2005). Purchase intention, the stated likelihood of buying a product, is closely related to WTP but also incorporates factors such as purchase urgency, availability of substitutes, and situational constraints (Ajzen, 1991).

Inflation affects both WTP and purchase intention by altering the perceived value proposition and tightening budget constraints. As prices rise, the gap be-

tween WTP and actual price may widen, reducing purchase probability. Alternatively, if consumers adjust their reference prices upward, WTP may increase in nominal terms even as real WTP declines (Shafir et al., 1997). Understanding these dynamics is essential for predicting consumer responses to inflationary pricing.

2.10. Gaps in the Literature

Despite the richness of research on price sensitivity, value perception, and inflation, several gaps remain. First, most studies examine these constructs in isolation or under stable economic conditions, neglecting the interactive effects of sustained inflation. Second, the literature lacks formal models integrating behavioral economics frameworks (e.g., prospect theory, mental accounting) with macroeconomic inflation. Third, empirical evidence on differential effects across hedonic and utilitarian categories is limited and inconsistent. Fourth, the psychological mechanisms—such as fairness perceptions, trust erosion, and cognitive recalibration—that mediate inflation's impact on consumer behavior are underexplored. Finally, most existing research is quantitative, missing the rich qualitative insights into how consumers subjectively experience and adapt to inflationary pressure.

This study addresses these gaps by 1) testing a comprehensive structural model linking perceived inflation to price sensitivity, value perception, and purchase intention; 2) examining moderating roles of income certainty and product involvement; 3) comparing hedonic and utilitarian categories; 4) exploring mediating mechanisms such as price fairness; and 5) integrating quantitative and qualitative data to provide a holistic understanding of consumer responses to inflation.

3. Theoretical Framework and Hypotheses

Building on the literature reviewed above, this section develops a conceptual model and formal hypotheses. The model posits that perceived inflation directly influences price sensitivity, which in turn affects hedonic and utilitarian value perceptions and ultimately willingness to pay and purchase intention. The model also incorporates moderating effects of income certainty and product involvement, and mediating effects of perceived price fairness.

3.1. Perceived Inflation and Price Sensitivity

Perceived inflation—the consumer's subjective assessment of the rate and extent of price increases—is distinct from objective inflation indices but is a more proximal driver of behavior (Bachmann et al., 2015). When consumers perceive high inflation, they become more attuned to price information, more likely to compare prices across options, and more sensitive to price increases (Grewal et al., 1998). This heightened sensitivity reflects both rational adaptation (adjusting to tighter budget constraints) and psychological processes (loss aversion, fairness concerns).

H1: Perceived inflation is positively associated with consumer price sensitivity.

3.2. Price Sensitivity and Value Perception

Increased price sensitivity implies that consumers weigh price more heavily in their value assessments. As price becomes more salient, consumers may downgrade their evaluations of what is received (benefits, quality) or perceive a worse trade-off between benefits and costs (Zeithaml, 1988). This effect should be observed for both hedonic and utilitarian value, though the magnitude may differ.

H2: Price sensitivity is negatively associated with 1) hedonic value perception and 2) utilitarian value perception.

3.3. Differential Effects on Hedonic vs. Utilitarian Value

Hedonic value, being tied to discretionary and emotionally laden consumption, is more vulnerable to budget cuts and justification concerns under economic stress (Okada, 2005). Utilitarian value, being tied to functional necessities, may be more resilient. Thus, the negative effect of price sensitivity on value perception should be stronger for hedonic than utilitarian categories.

H2a: The negative association between price sensitivity and value perception is stronger for hedonic products than for utilitarian products.

3.4. Value Perception and Willingness to Pay

Perceived value is a primary determinant of willingness to pay (Homburg et al., 2005). When consumers perceive high value, they are willing to pay more; when value perceptions decline, WTP falls. This relationship should hold for both hedonic and utilitarian value.

H3: 1) Hedonic value perception and 2) utilitarian value perception are positively associated with willingness to pay.

3.5. Moderating Role of Income Certainty

Income certainty buffers consumers against economic shocks, reducing the impact of perceived inflation on price sensitivity (Jappelli & Pistaferri, 2010). Consumers with high income certainty can maintain consumption patterns despite price increases, whereas those with low certainty must adjust more drastically.

H4: Income certainty moderates the relationship between perceived inflation and price sensitivity, such that the positive association is weaker for consumers with high income certainty.

3.6. Moderating Role of Product Involvement

Product involvement shapes the depth of processing and the weight assigned to price versus quality cues (Zaichkowsky, 1994). For high-involvement products, consumers may be less price-sensitive because they prioritize quality and are willing to pay a premium. For low-involvement products, price becomes a dominant heuristic.

H5: Product involvement moderates the relationship between price sensitivity

and value perception, such that the negative association is weaker for high-involvement products.

3.7. Mediating Role of Perceived Price Fairness

Perceived price fairness mediates the relationship between price sensitivity and purchase intention (Xia et al., 2004). When consumers perceive prices as unfair, their purchase intention declines even if they acknowledge the product's value. Inflation can erode fairness perceptions, amplifying the negative impact of price sensitivity.

H6: Perceived price fairness mediates the relationship between price sensitivity and purchase intention.

3.8. Value Perception and Purchase Intention

Finally, value perception directly influences purchase intention (Cronin et al., 2000). Higher perceived value increases the likelihood of purchase, while lower perceived value reduces it.

H7: 1) Hedonic value perception and 2) utilitarian value perception are positively associated with purchase intention.

Figure 1 depicts the full conceptual model, with perceived inflation as the exogenous variable, price sensitivity as the primary mediator, hedonic and utilitarian value perceptions as secondary mediators, and willingness to pay and purchase intention as outcome variables. Moderators (income certainty, product involvement) and the fairness mediation path would also be illustrated.

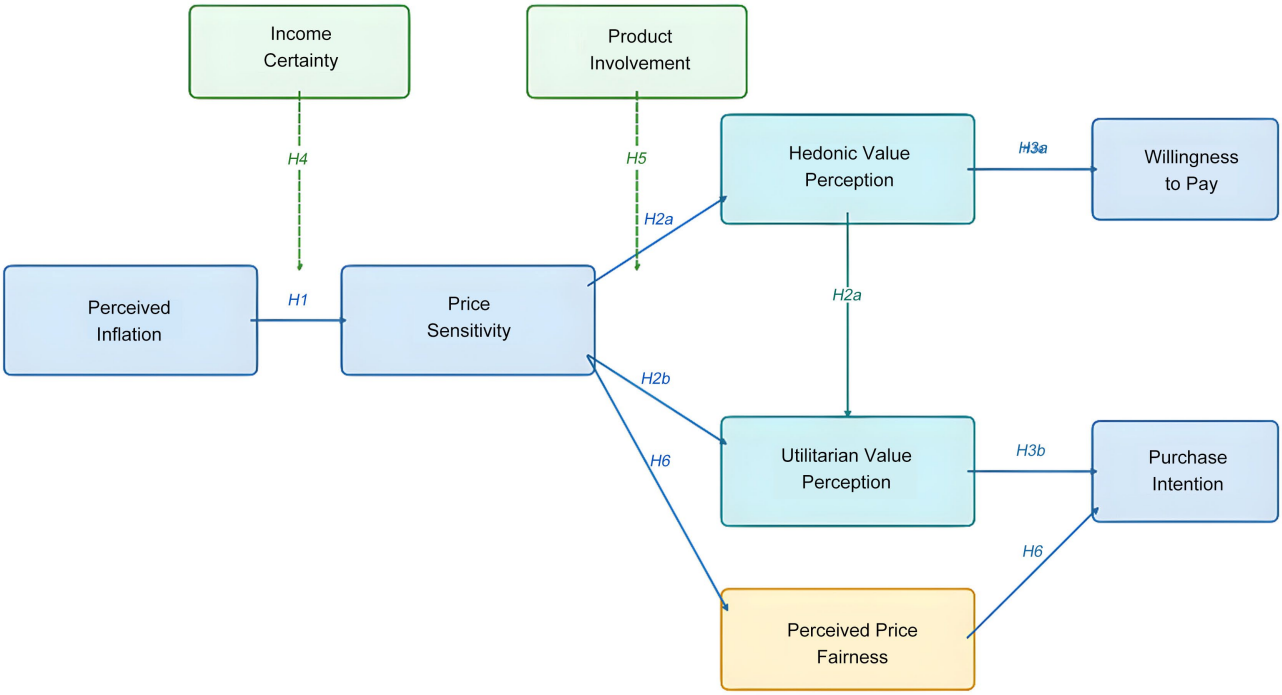

Figure 1. Conceptual model of consumer price sensitivity and value perception under inflationary pressure. Solid arrows represent direct hypothesized paths; dashed arrows represent moderating paths.

4. Methodology

This study employs a sequential explanatory mixed-methods design (Creswell & Plano Clark, 2018), in which quantitative data collection and analysis precede qualitative data collection and analysis. The quantitative phase tests the hypothesized structural model using survey data, while the qualitative phase explores the underlying psychological processes and contextual factors through in-depth interviews. Triangulation of the two data sources provides a richer, more nuanced understanding of how inflation shapes consumer behavior.

4.1. Research Design and Philosophical Stance

The study adopts a pragmatist epistemology, which holds that the value of research lies in its practical consequences and that multiple methods can be combined to address complex research questions (Tashakkori & Teddlie, 2010). Pragmatism is well-suited to mixed-methods research because it prioritizes the research question over methodological orthodoxy and embraces both deductive (hypothesis-testing) and inductive (theory-building) approaches (Morgan, 2007).

The sequential design allows the quantitative phase to identify patterns and relationships, which the qualitative phase then unpacks and contextualizes. This approach is particularly valuable in studying inflation, where aggregate statistical patterns may obscure important heterogeneity in consumer experiences and strategies.

4.2. Quantitative Phase

4.2.1. Sample and Procedure

The quantitative phase employed an online survey distributed to a sample of adult consumers in the United Kingdom. Inclusion criteria were: 1) age 18 or older, 2) primary or shared responsibility for household purchasing decisions, and 3) residence in the UK. The survey was administered during the 2021-2024 inflationary episode, when UK CPI peaked at 11.1% in October 2022.

Quota sampling was employed to ensure demographic diversity. Quota targets were set for age (18 - 34, 35 - 54, 55+), gender (male, female, non-binary), and household income (low, mid, high). The survey was distributed via Prolific Academic, a reputable online panel provider. A total of n = 621 respondents were invited to participate. Of these, n = 134 were excluded for failing attention checks or providing incomplete responses, resulting in a final retained sample of n = 487. Post-stratification weighting was not applied because achieved quotas were within ±3% of targets across all demographic dimensions.

The final sample (n = 487) was 52% female, with a mean age of 38.6 years (SD = 12.4). Income distribution was: under £30,000 (28%), £30,000 - £60,000 (44%), over £60,000 (28%). Employment status: full-time employed (58%), part-time employed (18%), self-employed (9%), unemployed or retired (15%). Education: high school or less (22%), some college (31%), bachelor's degree (32%), graduate degree (15%).

4.2.2. Measures

All constructs were measured using multi-item scales adapted from established instruments. Items were rated on 7-point Likert scales (1 = strongly disagree, 7 = strongly agree) unless otherwise noted.

Perceived Inflation was measured with 4 items adapted from Bachmann et al. (2015): "I have noticed significant price increases over the past year," "Inflation is affecting my household budget," "Prices are rising faster than my income," and "I expect prices to continue rising." Cronbach's α = .89.

Price Sensitivity was measured with 5 items adapted from Lichtenstein et al. (1993) and Grewal et al. (1998): "I am very conscious of prices when I shop," "I compare prices across brands before buying," "A small price increase would make me reconsider a purchase," "I am more price-sensitive now than a year ago," and "Price is the most important factor in my purchase decisions." Cronbach's α = .87.

Hedonic Value Perception was measured with 4 items adapted from Babin et al. (1994): "Buying this product would be enjoyable," "This product would provide pleasure," "Purchasing this product would be a treat," and "This product would make me feel good." Cronbach's α = .91.

Utilitarian Value Perception was measured with 4 items adapted from Babin et al. (1994): "This product would accomplish what I need," "This product would be functional," "Buying this product would be efficient," and "This product would solve a problem." Cronbach's α = .88.

Willingness to Pay was measured with 3 items adapted from Homburg et al. (2005): "I would be willing to pay a premium for this product," "The price of this product is acceptable to me," and "I would purchase this product at the current price." Cronbach's α = .85.

Purchase Intention was measured with 3 items adapted from Ajzen (1991): "I intend to purchase this product in the next month," "I plan to buy this product," and "I will definitely consider buying this product." Cronbach's α = .90.

Perceived Price Fairness was measured with 4 items adapted from Xia et al. (2004): "The price of this product is fair," "The price is reasonable given the quality," "The seller is charging a just price," and "I feel the price is acceptable." Cronbach's α = .92.

Income Certainty was measured with 3 items: "My income is stable and predictable," "I am confident about my future earnings," and "I do not worry about income fluctuations." Cronbach's α = .86.

Product Involvement was measured with 4 items adapted from Zaichkowsky (1994): "This product category is important to me," "I care a lot about which brand I choose in this category," "Choosing the right product in this category matters," and "I pay close attention to this product category." Cronbach's α = .89.

Private-Label Purchase Frequency was measured with 3 items adapted from Sethuraman and Gielens (2014) assessing how often respondents purchased store-brand or own-label alternatives in the past month (1 = Never, 7 = Always): "I frequently buy store-brand products instead of national brands," "I have increased

my purchases of private-label items," and "I choose own-label products to save money." Cronbach's α = .82.

Non-Essential Purchase Frequency was measured with 3 items assessing self-reported reduction in purchases of non-essential items over the past three months (1 = Not at all reduced, 7 = Greatly reduced): "I have cut back on non-essential purchases," "I buy fewer luxury or treat items than before," and "I have reduced spending on things I don't absolutely need." Cronbach's α = .80.

Multi-Format Shopping was measured with 4 items adapted from Fox et al. (2004) assessing the degree to which respondents shopped across multiple retail formats (discount, online, convenience, supermarket) in the past month: "I shop at multiple types of stores to find the best prices," "I compare prices across different retail formats," "I use both online and physical stores to get better deals," and "I visit discount stores more often than before." Cronbach's α = .79.

Analytical Approach: Structural equation modeling (SEM) was conducted using Mplus 8.0. The measurement model was first assessed via confirmatory factor analysis (CFA) to ensure adequate fit and construct validity. The structural model was then estimated, testing direct paths, moderating effects (via multi-group analysis and interaction terms), and mediating effects (via bootstrapped indirect effects). Model fit was evaluated using χ^2, CFI, TLI, RMSEA, and SRMR. Behavioral outcome measures (private-label purchase frequency, non-essential purchase frequency, and multi-format shopping) were regressed on price sensitivity and perceived inflation in supplementary analyses to examine adaptive consumer behaviors.

4.2.3. Product Category Manipulation

To test differential effects across hedonic and utilitarian categories, respondents were randomly assigned to evaluate one hedonic and one utilitarian product category. Hedonic categories assessed were: premium confectionery, alcoholic beverages, personal fragrance, and entertainment subscriptions. Utilitarian categories assessed were: staple groceries, household cleaning products, personal hygiene essentials, and over-the-counter medicines. Respondents rated value perceptions, willingness to pay, and purchase intention for both their assigned hedonic and utilitarian categories.

Category classification was validated through a pre-study pilot (n = 45) using Voss et al.'s (Voss et al., 2003) hedonic/utilitarian scale. The pilot confirmed that the four hedonic categories scored significantly higher on hedonism (M = 5.8, SD = .7) than the four utilitarian categories (M = 3.2, SD = .6), t (43) = 14.3, $p < .001$. Similarly, utilitarian categories scored significantly higher on utilitarianism (M = 6.1, SD = .5) than hedonic categories (M = 3.5, SD = .8), t (43) = 13.1, $p < .001$. All four hedonic categories and all four utilitarian categories showed consistent patterns, confirming the validity of the classification.

4.3. Qualitative Phase

4.3.1. Sample and Procedure

The qualitative phase involved semi-structured in-depth interviews with a pur-

posive sample of 32 consumers. Participants were recruited from the quantitative survey sample, with selection criteria designed to maximize variation in key dimensions: income level, age, household composition, and self-reported inflation impact. Specifically, the sample included 12 low-income, 11 middle-income, and 9 high-income participants; 18 women and 14 men; ages ranging from 22 to 67; and household sizes from 1 to 5 members.

Interviews were conducted via video call (Zoom) and lasted 45 - 75 minutes (mean = 58 minutes). The interview protocol covered: 1) perceptions and experiences of inflation, 2) changes in shopping behavior and decision-making, 3) strategies for coping with price increases, 4) value assessments and trade-offs across product categories, 5) emotional responses to inflation, and 6) perceptions of price fairness and trust in retailers. The protocol was semi-structured, allowing for probing and follow-up questions tailored to each participant's responses.

Interviews were audio-recorded and transcribed verbatim, yielding approximately 380 pages of single-spaced text. Transcripts were imported into NVivo 12 for coding and analysis.

4.3.2. Analytical Approach

Qualitative data were analyzed using reflexive thematic analysis (Braun & Clarke, 2006; 2019), an inductive approach that identifies patterns of meaning across the dataset. The analysis proceeded in six phases: 1) familiarization with the data through repeated reading of transcripts, 2) generation of initial codes capturing semantic and latent content, 3) collation of codes into candidate themes, 4) review and refinement of themes, 5) definition and naming of final themes, and 6) interpretation and write-up.

Coding was conducted by two researchers independently, with regular meetings to discuss discrepancies and reach consensus. Inter-coder reliability (Cohen's kappa) was .78, indicating substantial agreement. Themes were developed iteratively, moving between data and emerging patterns, and were refined through constant comparison and member checking (a subset of participants reviewed preliminary themes and provided feedback).

4.4. Integration of Quantitative and Qualitative Data

Integration occurred at multiple stages. First, qualitative sampling was informed by quantitative results (e.g., selecting participants representing different levels of price sensitivity). Second, qualitative themes were mapped onto quantitative constructs to explore convergence and divergence. Third, qualitative insights were used to interpret and contextualize quantitative findings, particularly unexpected or counterintuitive results. Finally, a joint display (Guetterman et al., 2015) was constructed to visually represent the integration of findings across methods.

4.5. Ethical Considerations

The study received ethical approval from the institutional review board. All participants provided informed consent, were assured of confidentiality and ano-

nymity, and were informed of their right to withdraw at any time. Survey data were anonymized, and interview transcripts were de-identified. Participants were compensated for their time (survey: \$5 equivalent; interview: \$25 equivalent).

5. Results

5.1. Quantitative Results

5.1.1. Measurement Model

Confirmatory factor analysis (CFA) of the measurement model yielded acceptable fit: χ^2 (df = 512) = 1089.4, $p < .001$; CFI = .94; TLI = .93; RMSEA = .048 (90% CI [.044, .052]); SRMR = .051. All factor loadings were significant ($p < .001$) and exceeded .60, indicating adequate convergent validity. Average variance extracted (AVE) for each construct ranged from .68 to .82, exceeding the .50 threshold. Discriminant validity was supported by the Fornell-Larcker criterion: the square root of AVE for each construct exceeded its correlations with other constructs.

5.1.2. Descriptive Statistics and Correlations

Table 1. Descriptive statistics and correlations among key variables (N = 487).

Variable	M	SD	1	2	3	4	5	6	7	8
1. Perceived Inflation	5.8	1.1	—							
2. Price Sensitivity	5.6	1.0	.52***	—						
3. Hedonic Value Perception	4.2	1.3	−.41***	−.44***	—					
4. Utilitarian Value Percept.	5.1	1.2	−.36***	−.38***	.49***	—				
5. Willingness to Pay	4.7	1.2	−.29***	−.33***	.61***	.58***	—			
6. Purchase Intention	4.9	1.1	−.26***	−.31***	.55***	.53***	.68***	—		
7. Income Certainty	4.4	1.4	−.22***	−.27***	.18***	.21***	.24***	.22***	—	
8. Perceived Price Fairness	4.1	1.3	−.31***	−.36***	.44***	.40***	.47***	.45***	.19***	—

Note. All variables measured on 7-point Likert scales. M = mean; SD = standard deviation. Correlations are Pearson product-moment coefficients. ***$p < .001$.

Table 1 presents means, standard deviations, and correlations among key variables. Perceived inflation was high (M = 5.8, SD = 1.1), reflecting the salience of inflation in the study period. Price sensitivity was also elevated (M = 5.6, SD = 1.0). Hedonic value perception (M = 4.2, SD = 1.3) was lower than utilitarian value perception (M = 5.1, SD = 1.2), t (486) = 12.4, $p < .001$, suggesting that hedonic value was more eroded under inflationary pressure. Willingness to pay (M = 3.9, SD = 1.4) and purchase intention (M = 4.0, SD = 1.5) were moderate.

Correlations were consistent with hypotheses: perceived inflation was positively correlated with price sensitivity (r = .52, $p < .001$); price sensitivity was negatively correlated with hedonic value (r = −.44, $p < .001$) and utilitarian value (r = −.38, $p < .001$); value perceptions were positively correlated with willingness to pay (hedonic: r = .61, $p < .001$; utilitarian: r = .58, $p < .001$) and purchase intention (hedonic: r = .64, $p < .001$; utilitarian: r = .60, $p < .001$).

5.1.3. Structural Model and Hypothesis Tests

The structural model demonstrated good fit: χ^2 (df = 538) = 1142.7, $p < .001$; CFI = .93; TLI = .92; RMSEA = .049 (90% CI [.045, .053]); SRMR = .053. **Figure 2** depicts the standardized path coefficients.

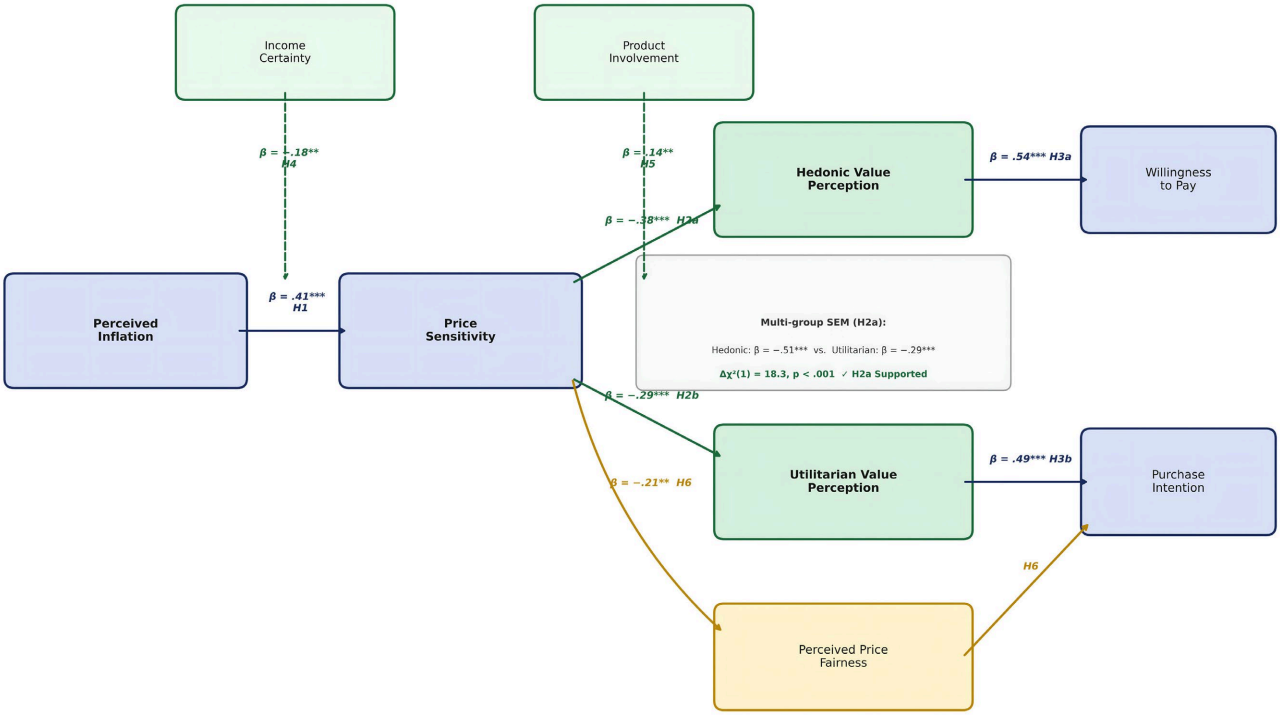

Figure 2. Structural equation model results: standardized path coefficients. ***$p < .001$; **$p < .01$. Model fit: χ^2 (538) = 1142.7; CFI = .93; TLI = .92; RMSEA = .049 (90% CI [.045, .053]); SRMR = .053.

H1 predicted that perceived inflation is positively associated with price sensitivity. This hypothesis was supported: β = .41, SE = .04, $p < .001$. Perceived inflation explained 17% of the variance in price sensitivity.

H2 predicted that price sensitivity is negatively associated with 1) hedonic value and 2) utilitarian value. Both hypotheses were supported: hedonic value, β = −.38, SE = .05, $p < .001$; utilitarian value, β = −.29, SE = .05, $p < .001$.

H2a predicted stronger effects for hedonic than utilitarian products. Multigroup SEM comparing hedonic and utilitarian categories confirmed this: the path from price sensitivity to value perception was significantly stronger for hedonic (β = −.51, $p < .001$) than utilitarian (β = −.29, $p < .001$) categories, $\Delta\chi^2(1) = 18.3$, $p < .001$.

H3 predicted that (a) hedonic value and (b) utilitarian value are positively associated with willingness to pay. Both hypotheses were supported: hedonic value, β = .54, SE = .04, $p < .001$; utilitarian value, β = .49, SE = .04, $p < .001$.

H4 predicted that income certainty moderates the relationship between perceived inflation and price sensitivity. Interaction analysis (via latent moderated structural equations) revealed a significant interaction: β = −.18, SE = .06, $p = .003$. Simple slopes analysis showed that the positive association between perceived in-

flation and price sensitivity was stronger for low income certainty (β = .52, p < .001) than high income certainty (β = .28, p < .001).

H5 predicted that product involvement moderates the relationship between price sensitivity and value perception. The interaction was significant: β = .14, SE = .05, p = .006. The negative association between price sensitivity and value perception was weaker for high-involvement products (β = −.24, p < .001) than low-involvement products (β = −.46, p < .001).

H6 predicted that perceived price fairness mediates the relationship between price sensitivity and purchase intention. Bootstrapped mediation analysis (5000 resamples) revealed a significant indirect effect: β = −.21, SE = .04, 95% CI [−.29, −.14]. The direct effect of price sensitivity on purchase intention became non-significant when fairness was included (β = −.06, SE = .05, p = .22), indicating full mediation.

H7 predicted that 1) hedonic value and 2) utilitarian value are positively associated with purchase intention. Both hypotheses were supported: hedonic value, β = .48, SE = .05, p < .001; utilitarian value, β = .42, SE = .05, p < .001.

Supplementary regression analyses examined behavioral outcomes. Price sensitivity was significantly associated with private-label purchase frequency (β = .29, SE = .05, p < .001), non-essential purchase frequency reduction (β = −.34, SE = .05, p < .001, with higher price sensitivity predicting greater reduction), and multi-format shopping (β = .24, SE = .05, p < .001). Perceived inflation also directly predicted these outcomes (private-label: β = .22, p < .001; non-essential reduction: β = −.28, p < .001; multi-format: β = .19, p < .001), indicating that both inflation perceptions and heightened price sensitivity drive adaptive shopping behaviors.

5.2. Qualitative Results

Thematic analysis of interview transcripts identified five major themes, each with multiple sub-themes. Themes are presented below with illustrative quotations (participant identifiers are pseudonyms).

5.2.1. Theme 1: Cognitive Recalibration of Value

Participants described a fundamental shift in how they assessed value, moving from stable, habitual evaluations to active, deliberate recalculations. This recalibration involved updating reference prices, re-weighting price versus quality, and questioning previously accepted price-quality heuristics.

"*I used to just grab my usual brands without thinking. Now I'm standing in the aisle doing mental math, comparing per-unit prices, asking myself if the extra £2 is really worth it. It's exhausting, but I can't afford to be on autopilot anymore.*" (Emma, 34, mid-income)

"*My whole sense of what's expensive has changed. £5 for a coffee used to feel normal; now it feels outrageous. But £50 for groceries that used to cost £35? That's the new normal, even though it hurts.*" (James, 42, low-income)

Participants distinguished between "price fairness" and "value for money," noting that a price could be unfair (unjustified by costs) yet still represent good value

(best available option), or vice versa. This distinction was particularly salient for hedonic purchases, where guilt and justification concerns were heightened.

"*I know the wine I like has gone up £3 a bottle, and I don't think the vineyard's costs went up that much—it feels like gouging. But it's still the best wine in that price range, so I guess it's still value for money, even if it's not fair.*" (Sophia, 51, high-income)

5.2.2. Theme 2: Inflation Adaptation Strategies

Participants employed a diverse repertoire of strategies to cope with inflation, often combining multiple approaches. Five sub-strategies were identified:

Systematic Downtrading: Shifting from premium to mid-tier or store-brand products within the same category.

"*I switched from Heinz ketchup to the Tesco own-brand. Honestly, I can't tell the difference, and I'm saving £1.50 every time. That adds up.*" (Liam, 29, low-income)

Strategic Stockpiling: Purchasing larger quantities when prices are perceived as relatively low or when promotions are available, even if it strains short-term budgets.

"*When I see pasta on sale, I buy ten boxes. I know prices will be higher next month, so I'm basically investing in future savings.*" (Aisha, 38, mid-income)

Brand Repertoire Expansion: Experimenting with unfamiliar brands or retailers to find acceptable substitutes at lower prices.

"*I never shopped at Aldi before, but now I go there first. I've discovered some products that are just as good as the big brands, and I'm saving £20 a week.*" (Oliver, 45, mid-income)

Quality-Threshold Anchoring: Identifying a minimum acceptable quality level and refusing to compromise below that threshold, even if it means reducing purchase frequency.

"*I won't buy cheap coffee—I'd rather drink less coffee than drink bad coffee. There's a line I won't cross, even to save money.*" (Charlotte, 56, high-income)

Discretionary Expenditure Suspension: Eliminating or drastically reducing spending on non-essential categories, particularly hedonic goods.

"*We used to go out for dinner twice a month. Now it's maybe once every two months, and we go to cheaper places. It's not that we can't afford it, but it feels irresponsible when everything else is so expensive.*" (Noah, 33, mid-income)

5.2.3. Theme 3: Emotional Dimensions of Inflation

Inflation evoked strong emotional responses, including anxiety, anger, frustration, and resignation. These emotions were not merely reactions to higher prices but were intertwined with broader concerns about economic security, fairness, and control.

"*Every time I go to the supermarket, I feel this knot in my stomach. I know I'm going to spend more than I planned, and there's nothing I can do about it. It's like being nickel-and-dimed to death.*" (Isabella, 40, low-income)

"*I'm angry at the companies. I know their costs went up, but I also know they're making record profits. It feels like they're taking advantage of the situation, and we're the ones paying for it.*" (Ethan, 48, mid-income)

For some participants, particularly those with low income certainty, inflation triggered feelings of loss of control and vulnerability.

"*I used to feel like I had a handle on my finances. Now I feel like I'm constantly scrambling, trying to keep up. It's exhausting and demoralizing.*" (Mia, 27, low-income)

Higher-income participants expressed frustration but less anxiety, framing inflation as an annoyance rather than a crisis.

"*It's irritating, sure. I notice the prices, and I think it's ridiculous. But it's not going to change my lifestyle. I'll complain, but I'll still buy what I want.*" (Lucas, 52, high-income)

5.2.4. Theme 4: Price Fairness and Brand Trust Nexus

Participants' perceptions of price fairness were closely linked to their trust in brands and retailers. When price increases were perceived as justified (e.g., due to supply chain disruptions or commodity cost increases), trust was maintained or even strengthened. When increases were seen as opportunistic, trust eroded, sometimes irreversibly.

"*I understand that shipping costs went up, and I can accept a price increase if it's explained. But when a company raises prices and then reports huge profits, I feel betrayed. I'll switch brands out of principle.*" (Amelia, 35, mid-income)

"*There's a local bakery I've been going to for years. They put up a sign explaining that flour and energy costs had doubled, and they had to raise prices by* 20%. *I was fine with that—I trust them, and I want them to stay in business.*" (Henry, 60, high-income)

Trust erosion had behavioral consequences: participants reported increased willingness to switch brands, reduced loyalty, and greater openness to private-label alternatives.

"*I used to be loyal to certain brands, but not anymore. If they're going to gouge me, I'll find someone else who won't.*" (Ella, 31, low-income)

5.2.5. Theme 5: Differential Category Responses

Participants' responses to inflation varied systematically across product categories, with hedonic and utilitarian goods eliciting distinct patterns.

For **hedonic goods**, participants described heightened guilt, justification concerns, and a sense of these purchases being "luxuries" that could be deferred or eliminated. However, some participants also described hedonic purchases as essential for psychological well-being, creating internal conflict.

"*I love my fancy chocolates, but now I feel guilty buying them. It feels frivolous when I'm struggling to afford basics. But at the same time, I need something to look forward to, something that makes me happy.*" (Ava, 29, low-income)

"*We cut back on entertainment subscriptions—we had Netflix, Disney+, and*

Spotify, and we dropped two of them. It felt like an easy place to save money, even though we miss having all those options." (William, 44, mid-income)

For **utilitarian goods**, participants emphasized necessity and functional adequacy, but also described active efforts to find cheaper alternatives without sacrificing essential quality.

"*I need cleaning products, so I can't just stop buying them. But I switched to store brands, and honestly, they work just as well. I don't feel like I'm compromising.*" (Harper, 37, mid-income)

"*Groceries are non-negotiable—I have to feed my family. But I've changed what I buy. More pasta and rice, less meat. More frozen vegetables, less fresh. It's about making the budget stretch.*" (Benjamin, 50, low-income)

Interestingly, some high-involvement utilitarian goods (e.g., healthcare products, child-related items) were largely insulated from price sensitivity, as participants prioritized quality and safety over cost.

"*I won't compromise on my daughter's asthma medication or the brand of diapers I use. Those are non-negotiable, no matter what they cost.*" (Evelyn, 32, mid-income)

5.3. Mixed-Methods Integration

The integration of quantitative and qualitative findings reveals convergent and complementary patterns that deepen understanding of how inflation reconfigures consumer behavior. Each major qualitative theme maps onto specific quantitative paths, moderators, or mediators, demonstrating the coherence of the mixed-methods design.

Theme 1 (Cognitive Recalibration of Value) directly corresponds to the quantitative paths tested in H1 and H2. The qualitative finding that consumers actively recalibrate reference prices and re-weight price versus quality aligns with the significant positive association between perceived inflation and price sensitivity ($\beta = .41$, $p < .001$, H1) and the subsequent negative associations between price sensitivity and both hedonic ($\beta = -.38$, $p < .001$) and utilitarian ($\beta = -.29$, $p < .001$) value perceptions (H2). Participants' descriptions of "doing mental math" and questioning "previously accepted price-quality heuristics" provide the psychological mechanism underlying these statistical relationships.

Theme 2 (Inflation Adaptation Strategies) corresponds to the behavioral outcome regressions reported in Section 5.1.3. The qualitative strategies of systematic downtrading, brand repertoire expansion, and strategic stockpiling are quantitatively reflected in the significant associations between price sensitivity and private-label purchase frequency ($\beta = .29$, $p < .001$), multi-format shopping ($\beta = .24$, $p < .001$), and the reduction in non-essential purchases ($\beta = -.34$, $p < .001$). The qualitative data reveal the intentionality and diversity of these strategies, while the quantitative data establish their prevalence and magnitude across the sample.

Theme 3 (Emotional Dimensions) illuminates the moderating role of income certainty tested in H4. Participants with low income certainty described anxiety,

loss of control, and vulnerability, whereas high-income-certainty participants framed inflation as an "annoyance." This qualitative heterogeneity corresponds to the significant interaction (β = −.18, p = .003), where the inflation-price sensitivity link was stronger for low income certainty (β = .52) than high income certainty (β = .28). The emotional intensity reported by vulnerable consumers explains why income certainty buffers the psychological impact of inflation.

Theme 4 (Price Fairness-Brand Trust Nexus) directly maps onto the mediation path tested in H6. Participants' accounts of trust erosion when price increases were perceived as opportunistic, and their subsequent willingness to switch brands, align with the full mediation of the price sensitivity-purchase intention relationship by perceived price fairness (indirect effect = −.21, 95% CI [−.29, −.14]). The qualitative data reveal that fairness perceptions are not merely cognitive evaluations but are emotionally charged and tied to moral judgments about corporate behavior, enriching the interpretation of the mediation effect.

Theme 5 (Differential Category Responses) corresponds to the multi-group SEM results for H2a. The qualitative finding that hedonic goods elicit heightened guilt, justification concerns, and discretionary suspension, while utilitarian goods are framed as non-negotiable necessities, aligns with the significantly stronger negative path from price sensitivity to value perception for hedonic (β = −.51) than utilitarian (β = −.29) categories ($\Delta\chi^2$ (1) = 18.3, p < .001). Participants' internal conflicts over hedonic purchases ("I need something to look forward to") and their pragmatic substitution strategies for utilitarian goods ("more pasta and rice, less meat") provide the contextual depth that explains the quantitative divergence.

This integration demonstrates that the quantitative model captures real psychological and behavioral processes, while the qualitative data provide the interpretive lens necessary to understand why these relationships hold and how they manifest in everyday consumer experience.

6. Discussion

6.1. Summary of Findings

This study provides a comprehensive, mixed-methods examination of how sustained inflationary pressure reconfigures consumer price sensitivity, value perception, and purchase behavior. The quantitative findings demonstrate that perceived inflation is significantly and positively associated with price sensitivity (β = .41, p < .001), which in turn is associated with lower hedonic and utilitarian value perceptions. These value perceptions strongly predict willingness to pay and purchase intention. Income certainty and product involvement moderate these relationships, and perceived price fairness fully mediates the link between price sensitivity and purchase intention. Multi-group analysis confirms that hedonic value is more vulnerable to inflation-induced erosion than utilitarian value.

The qualitative findings reveal the psychological and emotional processes underlying these patterns. Consumers engage in active cognitive recalibration, updating reference prices and re-weighting value dimensions. They employ diverse

adaptation strategies, including downtrading, stockpiling, and discretionary expenditure suspension. Emotional responses range from anxiety and anger to resignation, with intensity moderated by income certainty. Perceptions of price fairness are closely tied to brand trust, and unfair price increases trigger loyalty erosion and brand switching. Finally, hedonic and utilitarian categories elicit distinct responses, with hedonic goods subject to greater guilt and justification concerns.

6.2. Theoretical Contributions

This study makes several contributions to theory. First, it extends **prospect theory** and **reference-dependent utility models** into the domain of macroeconomic inflation. While these frameworks have been extensively applied to isolated price changes and promotional contexts, their application to sustained, economy-wide inflation is novel. The findings demonstrate that inflation shifts reference points upward, amplifying loss aversion and increasing price sensitivity. Importantly, this process is not uniform: reference point adaptation varies across categories and is moderated by individual differences in income certainty and product involvement.

Second, the study advances **mental accounting theory** by showing how inflation disrupts established mental budgets and forces consumers to reallocate resources across accounts. The qualitative data reveal that consumers do not simply reduce spending proportionally across categories; instead, they prioritize utilitarian over hedonic accounts, employ category-specific strategies, and sometimes violate their own budget rules when psychological needs (e.g., the need for a "treat") become salient. This suggests that mental accounting under inflation is more dynamic and emotionally driven than traditional models acknowledge.

Third, the study contributes to the literature on **hedonic versus utilitarian value** by demonstrating that these dimensions respond differently to economic stress. The finding that hedonic value erodes more than utilitarian value under inflation supports and extends prior work on discretionary spending cuts (Okada, 2005; Kivetz & Simonson, 2002). However, the qualitative data also reveal that some consumers resist cutting hedonic spending because they view it as essential for psychological well-being, highlighting the complexity and heterogeneity of consumer responses.

Fourth, the study introduces the concept of the **inflation-adjusted value threshold (IAVT)**, a cognitive benchmark that consumers use to evaluate whether a product's price increase is justified by its perceived benefits. The IAVT is distinct from traditional reference prices in that it explicitly incorporates inflation expectations and fairness judgments. When a price exceeds the IAVT, consumers perceive the increase as unfair and are more likely to switch brands or defer purchase. This concept bridges behavioral economics and fairness research, offering a new lens for understanding consumer responses to inflation.

Fifth, the study contributes to **price fairness theory** by showing that fairness perceptions fully mediate the relationship between price sensitivity and purchase

intention. This finding underscores the importance of fairness as a psychological mechanism, not merely a correlate, of consumer behavior. The qualitative data further reveal that fairness judgments are tied to attributions about seller motives and are emotionally charged, suggesting that fairness is both a cognitive and affective construct.

6.3. Practical Implications

The findings offer several actionable insights for managers, marketers, and policymakers.

For Pricing Strategy: Firms operating in inflationary environments must recognize that consumers are highly attuned to price increases and are actively recalibrating value assessments. Simply passing cost increases onto consumers without justification risks eroding trust and triggering brand switching. Transparent communication about cost pressures (e.g., supply chain disruptions, commodity price increases) can mitigate fairness concerns and preserve loyalty. Firms should also consider differential pricing strategies across hedonic and utilitarian categories, recognizing that hedonic goods are more vulnerable to demand erosion.

For Product and Brand Management: The finding that consumers are expanding their brand repertoires and experimenting with private-label alternatives suggests that brand loyalty is fragile under inflation. National brands must reinforce their value propositions, emphasizing quality, trust, and emotional benefits that justify price premiums. Conversely, private-label brands have an opportunity to attract price-sensitive consumers by offering acceptable quality at lower prices. However, private-label brands must also manage perceptions of fairness; if their prices rise as much as national brands, the value advantage disappears.

For Retail Management: Retailers can support consumers by offering price transparency, promoting value-oriented assortments, and facilitating comparison shopping. The finding that consumers are engaging in multi-format shopping (e.g., combining discount stores, online platforms, and traditional supermarkets) suggests that retailers must compete on both price and convenience. Loyalty programs and personalized promotions can help retain price-sensitive customers.

For Consumer Welfare Policy: Policymakers should recognize that inflation disproportionately affects low-income and income-uncertain households, who exhibit heightened price sensitivity and emotional distress. Targeted interventions, such as subsidies for essential goods, price monitoring to prevent gouging, and financial literacy programs to help consumers navigate inflation, can mitigate welfare losses. Policymakers should also consider the psychological and emotional toll of inflation, which extends beyond material hardship to include anxiety, loss of control, and erosion of trust in economic institutions.

6.4. Limitations

Several limitations should be noted. First, the study is cross-sectional and associational, precluding causal inferences. While the hypothesized model is grounded

in theory and the qualitative data provide process evidence, experimental or longitudinal designs are needed to establish causality. Second, the sample is drawn from the United Kingdom, and generalizability to other countries or cultural contexts is uncertain. Inflation experiences and coping strategies may vary across economic systems, social safety nets, and cultural norms. Third, the study relies on self-reported measures, which are subject to social desirability bias and recall errors. Behavioral data (e.g., actual purchase records) would provide a more objective assessment of inflation's impact. Fourth, the qualitative sample, while diverse, is relatively small (n = 32) and may not capture the full range of consumer experiences. Fifth, the study focuses on consumer goods and does not examine services, durables, or financial products, which may exhibit different dynamics under inflation.

6.5. Directions for Future Research

Future research should address these limitations and extend the findings in several directions. First, longitudinal studies tracking consumers over time as inflation rises and falls would provide stronger evidence of causal relationships and reveal how reference points and value perceptions adapt dynamically. Second, cross-cultural comparisons would illuminate how institutional, economic, and cultural factors shape consumer responses to inflation. For example, comparing the UK experience during the 2021 2024 episode with other countries facing different inflation trajectories or policy responses would enhance generalizability. Third, experimental studies manipulating perceived inflation, price fairness, and category type would allow for tighter causal tests of the proposed mechanisms. Fourth, research should explore additional moderators, such as financial literacy, risk tolerance, and social comparison tendencies, which may influence how consumers respond to inflation. Fifth, future work should examine the long-term consequences of inflation-induced behavior changes, such as whether downtrading and brand switching persist after inflation subsides or whether consumers revert to prior patterns. Sixth, research should investigate the role of digital tools and platforms (e.g., price comparison apps, online reviews) in shaping inflation responses. Finally, the concept of the inflation-adjusted value threshold (IAVT) warrants further theoretical development and empirical validation, including the development of measurement instruments and tests of its predictive validity.

7. Conclusion

This study provides a rigorous, mixed-methods investigation of how sustained inflationary pressure reconfigures consumer price sensitivity, value perception, and purchase behavior. Drawing on a quantitative survey of 487 consumers and qualitative interviews with 32 participants, the study integrates behavioral economics frameworks—particularly prospect theory, mental accounting, and reference-dependent utility—with rich qualitative insights into the cognitive, emotional, and strategic dimensions of consumer adaptation.

The findings demonstrate that perceived inflation is significantly associated with higher price sensitivity (β = .41), which in turn is associated with lower hedonic and utilitarian value perceptions (β = −.38 and β = −.29, respectively). Hedonic value is more vulnerable to erosion than utilitarian value, reflecting the discretionary nature of hedonic consumption. Income certainty and product involvement moderate these relationships, while perceived price fairness fully mediates the link between price sensitivity and purchase intention. Qualitative analysis reveals five major themes: cognitive recalibration of value, diverse adaptation strategies, emotional dimensions of inflation, the price fairness--brand trust nexus, and differential category responses.

The study makes several theoretical contributions, including extending behavioral economics frameworks into macroeconomic contexts, advancing understanding of hedonic versus utilitarian value under economic stress, and introducing the concept of the inflation-adjusted value threshold (IAVT). The IAVT is presented as a conceptual implication of the cross-sectional findings and requires direct measurement in future longitudinal research before causal claims can be made. Practical implications for pricing strategy, brand management, retail operations, and consumer welfare policy are discussed. Limitations include the cross-sectional design, UK-specific sample, reliance on self-reports, and focus on consumer goods.

Future research should employ longitudinal and experimental designs, explore cross-cultural variations, examine additional moderators and mediators, and investigate the long-term consequences of inflation-induced behavior changes. By integrating quantitative rigor with qualitative depth, this study offers a comprehensive understanding of how consumers navigate the challenges of inflation and provides a foundation for future research and practice in this critical domain.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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