

# Department of Economics, GCG, Sector-52, Gurugram.

## Project Report

**Title:** Application of the Ratchet Effect in Real Life

**Conducted by:** Economics Department Students

**Supervised by:** Ms. Sarika Jain and Ms. Vinati

### Objective

The objective of the project was to explore the practical application of the economic concept of the ratchet effect in real-life scenarios, specifically in the retail and business environment.

### Overview of the Ratchet Effect

The ratchet effect refers to the phenomenon where individuals or organizations are unwilling to reduce performance levels, efforts, or consumption once a higher standard has been achieved. This concept often applies in business, labour economics, and consumer behaviour.

### Methodology

To study the ratchet effect, 40 students and faculty members, Ms. Sarika Jain and Ms. Vinati, visited Ardee Shopping Mall, Sector-52, Gurugram.

### Key Activities:

1. **Observation:** The group closely observed the functioning of the mall, including customer behaviour, marketing strategies, and overall operations.
2. **Interviews:** The students interacted with shopkeepers to collect qualitative and quantitative data about their businesses.
3. **Data Collection:** Information on the following was collected:
  - Average daily footfall
  - Sales patterns during normal days, peak seasons, and after major promotional events
  - Strategies to maintain high sales

### Key Findings

1. **Seasonal Sales Impact:**
  - Shopkeepers reported that promotional events and seasonal sales resulted in significantly higher footfall and sales.
  - Post-promotion, there was resistance from regular customers to revert to pre-discount pricing, showcasing the ratchet effect in consumer expectations.
2. **Performance Expectations:**
  - Mall management and shopkeepers felt pressure to maintain the higher sales volumes achieved during peak times.
  - Businesses often introduced loyalty programs and small discounts to sustain customer retention.
3. **Operational Adjustments:**

- Several stores adjusted their staffing and inventory to accommodate higher demand during promotional periods, even though maintaining these levels during regular times proved challenging.

#### 4. Customer Behavior:

- Regular customers showed a tendency to compare current pricing and services with peak-season benefits, influencing their purchase decisions.

### Conclusion

The study successfully demonstrated the application of the ratchet effect in real-life business scenarios at Ardee Shopping Mall. Key insights highlighted how businesses adapt to customer expectations set during high-performance periods and the long-term impact of such adjustments.

### Acknowledgments

The Economics Department extends its gratitude to Ardee Shopping Mall's shopkeepers and management for their cooperation and support in providing valuable insights.



### Submitted By:

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