

# Kellogg's, Wendy's missteps prove now is not the time to experiment with pricing, brand positioning

Article

Despite hopes of consumers' economic woes easing in 2024, consumers are still struggling with high prices.

- Consumer confidence fell for the first time in three months in February, dropping so low that it “often signals recession ahead,” according to The Conference Board’s latest consumer survey, as reported by CNN.
- The Headline Personal Consumption Expenditures Price Index, which includes food and energy categories, increased 2.4% YoY in January, according to the Commerce Department’s Bureau of Economic Analysis, as reported by CNBC.

Knowing how price-sensitive consumers are at this moment, brands need to be extra cautious how they position themselves and their messaging. Otherwise, they risk angering or alienating consumers, as evidenced by the reaction to WK Kellogg Co suggesting that cereal is a substitute for a full dinner.

- A recent ad for Kellogg's promotes cereal as an alternative to a more traditional dinner of chicken, suggesting that consumers should “give chicken the night off.”
- CEO Gary Pilnick doubled down in an interview with CNBC, saying, “The cereal category has always been quite affordable, and it tends to be a great destination when consumers are under pressure. If you think about the cost of cereal for a family versus what they might otherwise do, that’s going to be much more affordable.”
- Consumers took to social media to criticize the move, pointing out Pilnick’s salary (over \$4 million last year), increasing grocery prices, and the fact that cereal does not make a good dinner, per CNN.

Wendy’s is also in hot water with consumers after reports that the fast-food restaurant would experiment with surge pricing, a method used by rideshare companies to raise prices when demand is high.

- The idea of surge pricing came from something Kirk Tanner, Wendy’s president and CEO, said on an earnings call.
- “Beginning as early as 2025, we will begin testing more enhanced features like dynamic pricing and day-part offerings along with AI-enabled menu changes and suggestive selling,” he said.

- Wendy's has since clarified, saying that it would not institute surge pricing, and that the "dynamic pricing" Tanner was speaking about meant the "flexibility to change the display of featured items."

**The bottom line:** Pricing remains a sensitive issue, and brands should not take it lightly.

- 92% of US adults believe that offering lower prices is the most important brand priority, per an October 2023 survey from Stifel.
- The No. 1 category that consumers will cut back their spending in response to inflation/rising prices is restaurants, bars, or food delivery services, per April 2023 data from Numerator.

If brands are considering a price increase, they need to conduct thorough research beforehand and ensure that their product quality and customer service remain best in class. Otherwise, customers may balk at the higher price and switch to another brand.

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