

Grocers fight back against supplier price hikes

Article

The news: Whole Foods is asking suppliers to lower prices as cost pressures ease, per The Wall Street Journal, as the grocer tries to give shoppers some relief in the grocery aisle.

- It's not the only retailer looking to force concessions: **Walmart is prepared to reallocate space to private or tertiary labels** if suppliers are unwilling or unable to keep prices down,

CEO **Doug McMillon** said at the Morgan Stanley Global Consumer & Retail Conference in December.

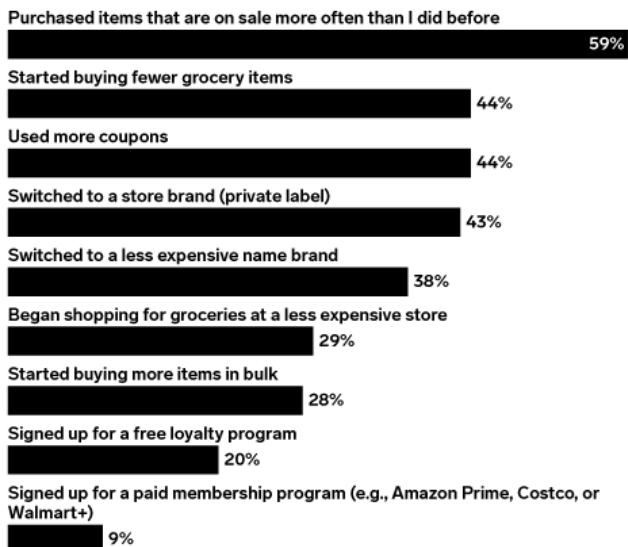
- And **Tesco** chairman **John Allan** told the BBC last week that the grocer is pushing back strongly on supplier price hikes it believes are unnecessarily high.

How we got here: Grocers are doing everything they can to secure lower prices as double-digit grocery inflation forces shoppers to prioritize value over brand or retailer loyalty.

- **Record-high UK grocery inflation is benefiting supermarkets' private label brands**, which grew sales by 9.3% in January, compared with just a 1% increase in name brand sales, [per](#) Kantar data reported by The Guardian.
- **Kroger** said it saw more customers consolidate spending in Q3 because of the value it offered via its owned brands and personalized discounts. Kroger's private label sales were 10.4% higher year-over-year (YoY), while digital coupon engagement shot up 32%.
- **In addition to trading down to private labels, shoppers are simply [buying less](#)**. For example, total US fresh produce sales rose 7.3% in 2022, but volumes declined 1.3%, per [a report](#) from the Organic Produce Network and Category Partners.
- The growing emphasis on price explains why **Costco** and **Sam's Club**, two companies known for providing value, are now ranked among dunnhumby's [top five grocery retailers](#). **Amazon**, **Trader Joe's**, and **BJ's Wholesale Club** also made the top ten.

Actions US Grocery Buyers Have Taken to Save Money at the Grocery Store, Sep 2022

% of respondents



Note: in the past two months

Source: "The Insider Intelligence Grocery Survey" conducted in Sep 2022 by Bizrate Insights, Sep 27, 2022

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The big picture: There's a clear disconnect between grocers' priorities, and those of CPG companies and other suppliers. While Whole Foods, Tesco, and Walmart voice their unwillingness to continue absorbing price increases from suppliers, **Procter & Gamble** and **Unilever** say [more price hikes](#) are on the horizon.

- The prospect of more price increases despite slowing food inflation raises the possibility of a showdown between suppliers and grocers, a situation Tesco is abundantly familiar with. The retailer [temporarily removed](#) select **Kraft Heinz** products from its shelves last year after the CPG conglomerate reportedly tried to raise prices for some items by 30%.
- While grocers that take a hard line with suppliers run the risk of losing sales if shoppers can't find their favorite products, their priority should be maximizing value to consumers to avoid losing them to cheaper retailers.

Go further: For more on how inflation is changing grocery habits, read our [Spotlight: Grocery Inflation report](#).

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