

Procter & Gamble's sales, volumes fall as price increases hurt demand

Article

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The news: Procter & Gamble reported lower quarterly profits and declining sales volumes for the three months ended December 31, [per](#) CNBC.

By the numbers: Quarterly results were in line with Wall Street's expectations. Adjusted earnings per share were \$1.59 on \$20.77 billion in revenues.

- Net sales fell 1%, although organic revenues increased by 5% due to higher pricing.
- Sales volume decreased 6%.

The context: Softening consumer demand is responsible for roughly half of the sales volume decrease; the rest is from reduced business in Russia due to the war in Ukraine, and inventory reductions in China.

- P&G increased prices by 10% during the quarter, prompting consumers to cut back on purchases.
- Sales volumes fell across all the company's divisions, although every category minus grooming saw organic sales grow thanks to price hikes.

The strategy: Despite clear evidence that higher prices are turning off shoppers, P&G plans to continue raising prices to offset higher material costs and supplier inflation, CFO **Andre Schulten** said on the company's earnings call.

- And it's not the only one: **Unilever CEO Alan Jope** told CNBC that the company expects to continue raising prices due to "extraordinary input cost pressure," although the rate of those increases will likely slow as consumers' savings dwindle and inflation eases.
- "So far, the consumer response in terms of volume softness has been very muted, the consumer has been very resilient," he said.

Tightening the purse strings: Consumers may have been resilient in 2022, but 2023 is shaping up differently. The [personal saving rate](#) remains near an all-time low, while nearly two-thirds (63%) of US adults live paycheck-to-paycheck, per a November survey by LendingClub.

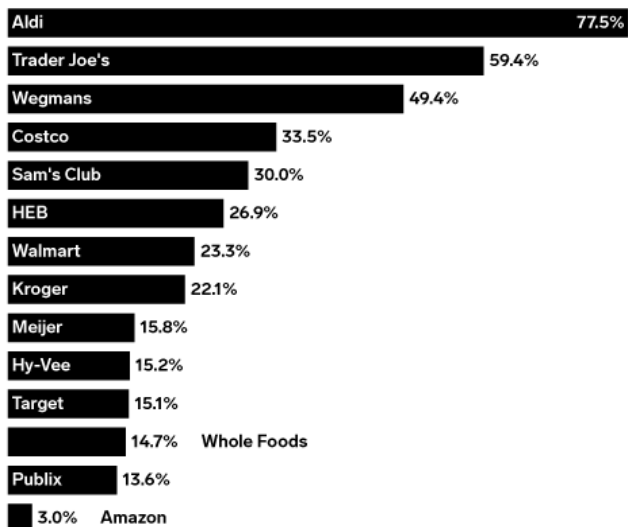
- Real spending [fell in December](#) as inflation caused shoppers to buy fewer gifts and hold off on large purchases.
- **Macy's CEO Jeff Gennette** noted that the company saw a steeper-than-usual dropoff in spending during holiday lull periods, when consumers usually shop for themselves, a further sign that shoppers are reining in their spending.

Looking ahead: P&G and Unilever are betting that their brand name products are sticky enough to keep shoppers from switching to cheaper alternatives. But that's a risky bet to take, given consumers' growing price sensitivities.

- Two-thirds of retail executives believe price will be more important to consumers than brand or retailer loyalty in 2023, [per](#) Deloitte's 2023 Retail Industry Outlook.
- With brand loyalty already on shaky footing after the supply chain challenges early in the pandemic, companies like P&G have to tread carefully to avoid angering shoppers and hastening their turn to cheaper brands.

US Private Label Sales Share of Major Retailers, Q2 2022

% of total



Source: Numerator, "Private Label Trends: Q2 2022," Aug 1, 2022

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