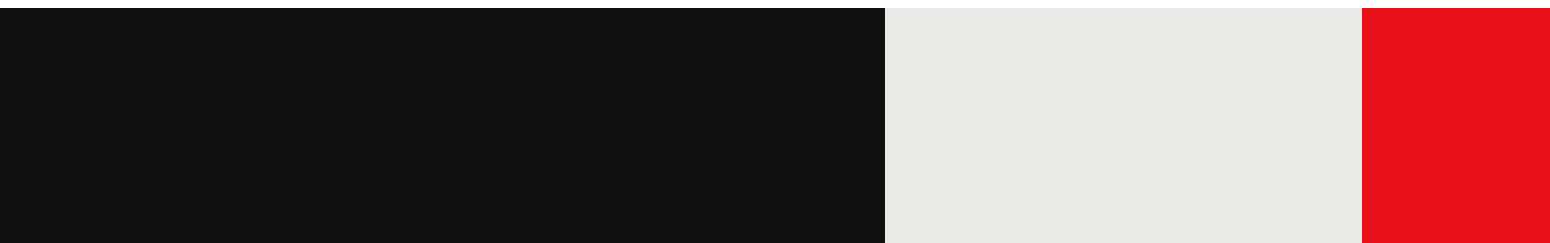



3 pricing moves retailers are making to drive sales when spending is tight

Article



By focusing on deals, value, and experiences, retailers can build a perception of value that resonates with discerning consumers. “The unremarkable retailers and brands are going to struggle because consumers are only spending when it's enjoyable, when they derive some pleasure from the purchase,” our analyst Zak Stambor said on the [”Behind the Numbers” podcast](#).

1. Price slashing as a PR move

Brands and retailers need to show that they are aware of consumers' concerns over the economy, inflation, and cost of living, and consider it as an opportunity to uplift the brand.

“Even a 5-cent price reduction can be a good PR and marketing move. It's a good way to get people on board with your brand in an environment where people feel tight [financially],” our analyst Becky Schilling said.

Aldi, Ikea, and Michaels reduced prices and promoted deals, resulting in earned media coverage.

2. Emphasizing value—beyond the cost

The consumer price index rose 3.4% YoY in April, according to the US Labor Department—albeit in line with analysts' expectations—leading consumers to think twice about whether their purchases are worth the spending.

“They remember what prices used to be [pre-pandemic], and that's jarring,” Stambor said. That's why “consumers want to feel as though they're getting a good bang for their buck.”

Value doesn't always mean low prices. For example, Abercrombie saw its strongest first quarter in the company's history with a 22% YoY increase in sales, in part thanks to its new wedding shop. The collection of dresses is promoted for occasions beyond the wedding day, such as a night out or date.

3. Highlighting the thrill of the hunt

Creating buzz around the in-store shopping experience is crucial, as brick-and-mortar locations account for 83.7% of all US retail sales this year, according to our February 2024 forecast.

“That's why you're seeing off-price retailers have their moment in the sun—not only are they offering relatively affordable items but also an excitement around the hunt,” Stambor said.

In the first four months of 2024, off-price retailers T.J. Maxx, Marshalls, Burlington, and Ross Dress for Less received more foot traffic than their non-off-price apparel counterparts, according to Placer.ai. In addition, TJX reported higher-than-expected Q1 earnings and plans

to continue capitalizing on price-sensitive shoppers with another 1,300 new stores in the US, Canada, Europe, and Australia.

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