

Retailers lower prices amid rising inflation

Article

The personal consumption expenditures price index (PCE) rose again in March, increasing 2.7% YoY (including food and energy), according to the US Commerce Department. To help maintain consumers' spending amid rising costs, retailers like Michaels and Giant Food are cutting prices on select items across their stores.

- Michaels lowered prices on more than 5,000 items across home decor, art supplies, seasonal items, kids' projects, wall frames, and more.

- Prices of some of the most frequently bought items (like paint, markers, and pens) have been reduced by up to 15%, while prices of other items, like T-shirts, have been cut by up to 40%.
- Meanwhile, Giant Food dropped prices of its private label brands and expanded its loyalty program to enable shoppers to earn twice as many points for every dollar spent on private label items.

Why do we care? Rising prices mean consumers are likely to remain cautious with how they're spending their money.

- Price is the most important factor for US grocery shoppers to consider when picking a grocery store, according to 83% of consumers, per a January 2024 survey from Progressive Grocer.
- 30% of US digital shoppers are looking for discounts and coupons to help combat rising shopping costs, per a December 2023 survey from Intelligence Node in partnership with Dynata. Digital shoppers are also doing research to find the best prices (20%), shopping less or delaying purchases (18%), and buying more private label products (17%).

Will it work? Since groceries are essential, sales of Giant Food's private label products are likely to grow.

- Consumers are seeking private label brands across many categories. US sales of [store brand beauty products grew](#) 10.5% in 2023, the most of any category measured by the Private Label Manufacturers Association and Circana.
- Other top private label growth categories included general food (10.0%), beverages (8.9%), and home care (8.7%).

For Michaels, success is more uncertain.

- Consumers can find many products that Michaels sells on platforms like [Amazon](#), Shein, or Temu, often at lower prices
- However, [Michaels has a brick-and-mortar advantage](#) over ecommerce-only competitors, which it's enhancing via in-person events and bringing third-party marketplace sellers in-store.

The bottom line: Lowering prices is an effective way to draw more consumers in, but it's not feasible for every brand. To provide value to consumers without cutting product prices,

retailers can lean into more experience-based perks like exclusive access to new product drops or extended returns windows.

This was originally featured in the Retail Daily newsletter. For more retail insights, statistics, and trends, [subscribe here](#).