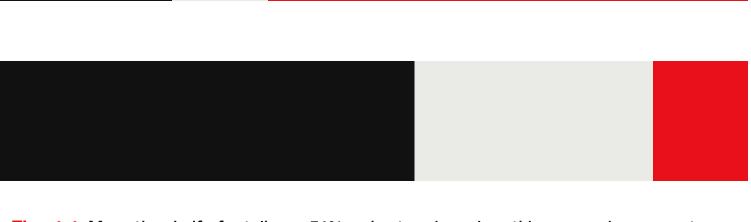
Retailers plan to keep raising prices in 2023

Article



The stat: More than half of retailers—51%—plan to raise prices this year, a nine percentage point increase from last year, per BDO's 2023 Retail CFO Outlook survey.

 Prominent CPG companies, including Procter & Gamble, Nestlé, Unilever, and Coca-Cola, have all signaled their intent to continue hiking prices despite falling sales volumes.

A dangerous gamble: While price hikes allow retailers to offset rising labor and material costs, they come at the serious risk of alienating consumers already struggling under the weight of inflation. And CPG earnings results make it abundantly clear that higher prices are causing





consumers to buy less—raising questions about the usefulness of the tactic at a time of weakening brand loyalty.

To list just a few examples:

- **Kraft Heinz's** sales volumes fell 4.8% in Q4 after the company raised prices by 15.2% during 2022.
- Nestlé's North America sales volumes fell by 1.3% after the company raised prices by 11.6% in 2022.
- Procter & Gamble saw both sales and volume fall in Q4 due mostly to softening demand in the face of rising prices.

The big takeaway: Some CPG companies are taking note of consumers' aversion to price increases. Kraft Heinz says it has no plans to raise prices further in many of its markets, including North America and Europe—a stance mirrored by **Mondelez**, which said it would keep prices steady in the US unless its costs begin to rise.

Still, not raising prices further may be too little, too late for many consumers.

- Nearly one-third (31%) of US households say they have skipped or reduced the size of a meal due to financial concerns, per a dunnhumby survey.
- Over six in 10 US consumers say their households can't handle any more price increases, <u>per</u> an August survey by PYMNTS.