



# Inflation Wrapped

February 2023

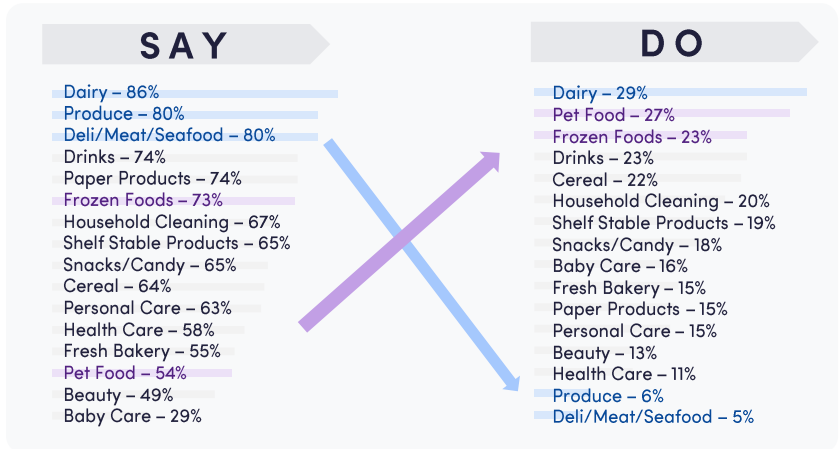
Committed to our longitudinal data and customer-first ethos, 84.51° recognizes that what people intend (say) and the outcomes (do) are not always the same. Yet, both are important for us to effectively communicate with our shoppers. To best prepare for 2023's challenges, this report examines 3 inflation-related consumer behaviors: noticing price increases, cutting back, and trading down to lower cost brands through 2022.

### YEAR END REVIEW: SAY v DO BEHAVIOR

#### Notice an Increase in Prices

Shoppers most noticed price increases in fresh departments. While their dairy observation was correct, produce & meat had more stable prices, versus more significant, unnoticed rises in pet food & frozen food prices.

Key to Data Interpretation		
	"SAY" via monthly survey	"DO" via 84.51° Stratum
Value	Maximum from Jan - Dec 2022	\$ Sales/Unit % chg. YoY Dec. 2022
Read as	"86% of shoppers noticed an increase in dairy prices"	"Dairy \$ Sales/Unit increased 29% in 2022"

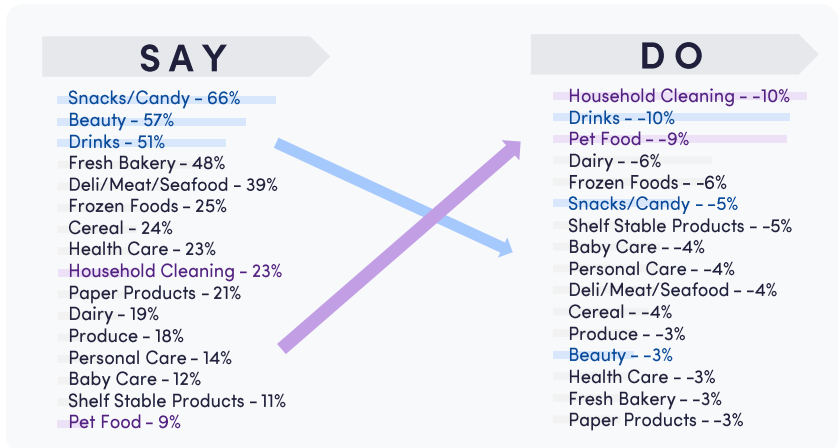


**Activation | Noticing Price Increases**  
 Leverage KPM's Private Marketplace (PMP) to reach broad audiences, communicating either a) reasonable prices on fresh foods or b) quality at home (v. restaurant) for pet, frozen, and grocery items

#### Cut Back

Shoppers said they would cut back in more non-essential categories. While they did cut back moderately, they most significantly cut back on household cleaning (in line with declining COVID-19 concern) and pet food & dairy (switched to other retailers).

Key to Data Interpretation		
	"SAY" via monthly survey	"DO" via 84.51° Stratum
Value	Maximum from Jan - Dec 2022	Units/HH % chg. YoY Dec. 2022
Read as	"66% of shoppers will cut back in snacks/candy"	"Households purchased 10% less cleaning units/household through 2022"



**Activation | Cut Back**  
 Entice impulse purchase for snacks, beauty & drinks and win back units where shoppers need cleaning & pet food by activating all placements on Kroger.com PLAs & TOAs including Basket Builder & Savings

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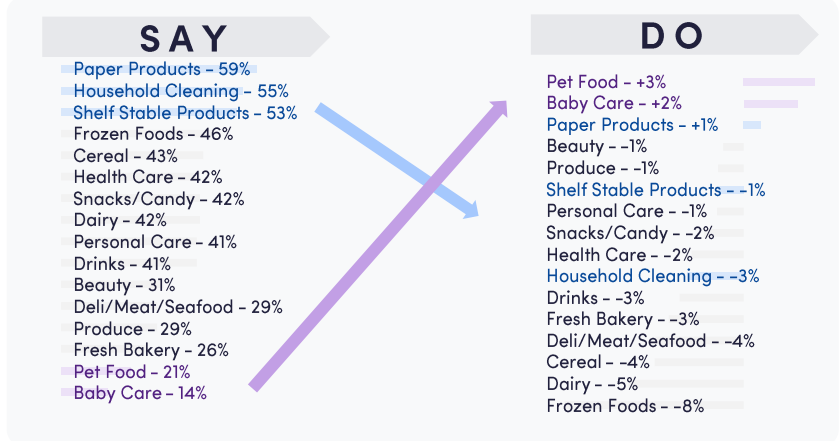


Disclaimer: Kroger Brand Private Label is used as the proxy for low cost brands in the "DO" analysis

### Trade Down

Shoppers claimed they would trade down most in non-food and shelf-stable products where the item isn't the "star" of the plate. However, private label saw the biggest gains in pet & baby (where they began with less share), and non-food.

Key to Data Interpretation	
	<p><b>"SAY"</b> via monthly survey</p> <p>Maximum from Jan - Dec 2022</p> <p>"59% of shoppers are willing to switch to a low cost paper products brand"</p>
	<p><b>"DO"</b> via 84.51° Stratum</p> <p>Kroger Brand* Units/HH % chg. YoY Dec. 2022</p> <p>*Lulvsome &amp; Abound for Pet; Comforts for Baby</p> <p>"Households purchased 3% more Kroger Brand pet food units/household through 2022"</p>
Value	
Read as	



### Activation | Trade Down

Layer "price sensitive" for non-food & shelf stable and specific low price competitive buyers for pet & baby targeting atop current & lapsed buyers to recover & conquest your future loyal households, especially activating with Targeted Digital Coupons

## MONTH OVER MONTH REVIEW BY DEPARTMENT

Disclaimer: Axes are truncated (do not start at 0) in order to show movement over time. Interpret with caution.

### Deli/Meat/Seafood: Shoppers traded down despite prices not increasing as much as perceived

Conventional wisdom says that meat prices skyrocket with inflation. Shoppers claimed to notice these big increases starting in May (grilling season) but in reality, prices held pretty steady until October. As they "noticed" early in the year, shoppers said they would cut back on meat purchases (and indeed did) but later rethought meat as a necessary part of their menu and stopped cutting back, instead trading down to private label.



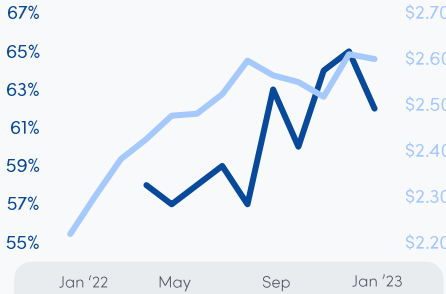
### Activation | Deli, Meat, & Seafood

Deploy multi-channel KPM campaigns to simultaneously provide recipe inspiration for (as shoppers still include meat in their meals) and savings (as shoppers are overperceiving prices)

### Shelf Stable Products: Shoppers cut back through the summer but then traded down for Q4 holidays

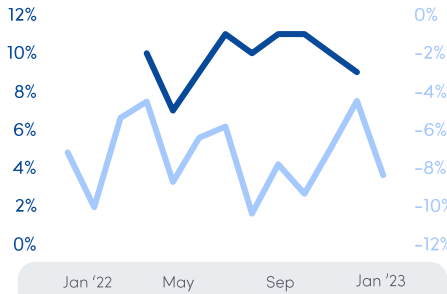
Shoppers underperceive price increases as the year went on, perhaps because shelf stable is considered a lower cost alternative to fresh products anyhow. However, shoppers said and did cut back from May to December and particularly trade down during peak shopping periods of Q4, when they were likely saving in shelf stable in order to splurge in other departments for holiday baskets.

Notice Increase



SAY: % shoppers noticed  
DO: \$ Sales / Unit

Cut Back



SAY: % shoppers cut back  
DO: Units/HH % chg. YoY

Trade Down\*



SAY: % shoppers trading down  
DO: PL Units/HH % chg. YoY

## Activation | Shelf Stable Products

Anticipate big food moments & holidays like March Madness, Easter, and Memorial Day where shoppers will “save” in the shelf-stable section of their baskets with consideration & conversion media

### Snacks/Candy: Shoppers made rash assumptions earlier in the year and then steadied out in the back half

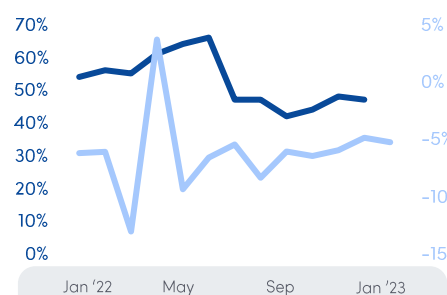
Shoppers pre-supposed price increases in March before the increases actually became substantial after July. Because they made this assumption, shoppers cut back on snacks early in the year. At the same time, shoppers continued to trade down to Private Label except for October/Halloween itself.

Notice Increase



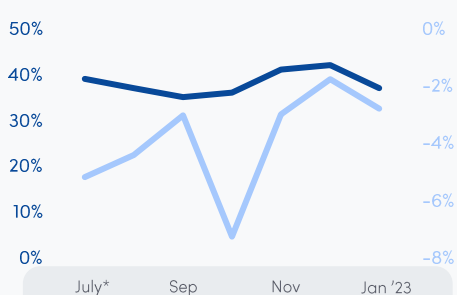
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SAY: % shoppers cut back  
DO: Units/HH % chg. YoY

Trade Down\*



SAY: % shoppers trading down  
DO: PL Units/HH % chg. YoY

## Activation | Snacks & Candy

As a consistently high “cut back” category with steadily increasing prices, activate on social channels to stay top-of-mind to drive awareness of new or seasonal snacks and candy

### Baby Care: Shoppers cut back in the spring (shortages) but traded down in the fall through winter

The 2022 baby formula shortages began in the spring, coinciding with cutting back behavior. However, shoppers dramatically increased noticing price increases in August and subsequently bought more private label at the same time, despite just a steady increase in prices.



## Activation | Baby Care

Given external pressures in 2022, recover and win back trust in 2023 with targeted savings to shoppers leaving your brand at Kroger while also recovering households switching from baby care at Kroger via offsite media with audience extension targeting

### Paper Products: Shoppers were late to notice increases, cut back, and trade down until fall/winter

Shoppers did not notice price increases as quickly as was happening, perhaps due to longer purchase cycles. However, once they did notice around the fall, they said & did cut back. Shoppers came true on their word to trade down to private label in November & December, as paper products were the #1 department shoppers were willing to trade down.



## Activation | Paper Products

Mindfully drive sales of paper products around purchase cycles with any sequential messaging strategy, such as an initial email including targeted savings, followed up with a push notification to recapture units

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## Background

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## Summary by Department

**Deli/Meat/Seafood:** Shoppers traded down despite prices not increasing as much as perceived\*

**Shelf Stable Products:** Shoppers cut back through the summer but then traded down for Q4 holidays\*

**Snacks/Candy:** Shoppers made rash assumptions earlier in the year and then steadied out in the back half\*

**Baby Care:** Shoppers cut back in the spring (shortages) but traded down in the fall through winter\*

**Paper Products:** Shoppers were late to notice increases, cut back, and trade down until fall/winter\*

**Produce:** Shoppers quickly (and exaggeratedly) registered price increases but did not change behavior

**Frozen Food:** Shoppers did not react strongly despite price increases; very middle-of-the-pack across metrics

**Fresh Bakery:** Shoppers claimed to cut back but only did so slightly, or slightly traded down to private label

**Dairy:** With astute observations of price increases, shoppers cut back their dairy purchases throughout the year

**Cereal:** Shoppers initially wanted to cut back, but as the year went on, they traded down instead

**Household Cleaning:** Shoppers traded down (as they said) and cut back (but did not strongly say so)

**Personal Care:** Shoppers adapted minimally to price increases and in line with perception

**Drinks:** Shoppers stayed more loyal to their favorites, choosing to cut back instead of trade down

**Beauty:** Shoppers were initially willing to cut back, but then changed their tune and metrics stayed flatter

**Health Care:** Shoppers gradually cut back on units but did not react as sharply YoY as in other area of the store

**Pet Food:** With the 2<sup>nd</sup> highest actual price increases, shoppers are cutting back & trading down consistently

*\*Deep Dives available in report; all other deep dives are available on request*

## Activations



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### Trade Down

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## Learn More

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