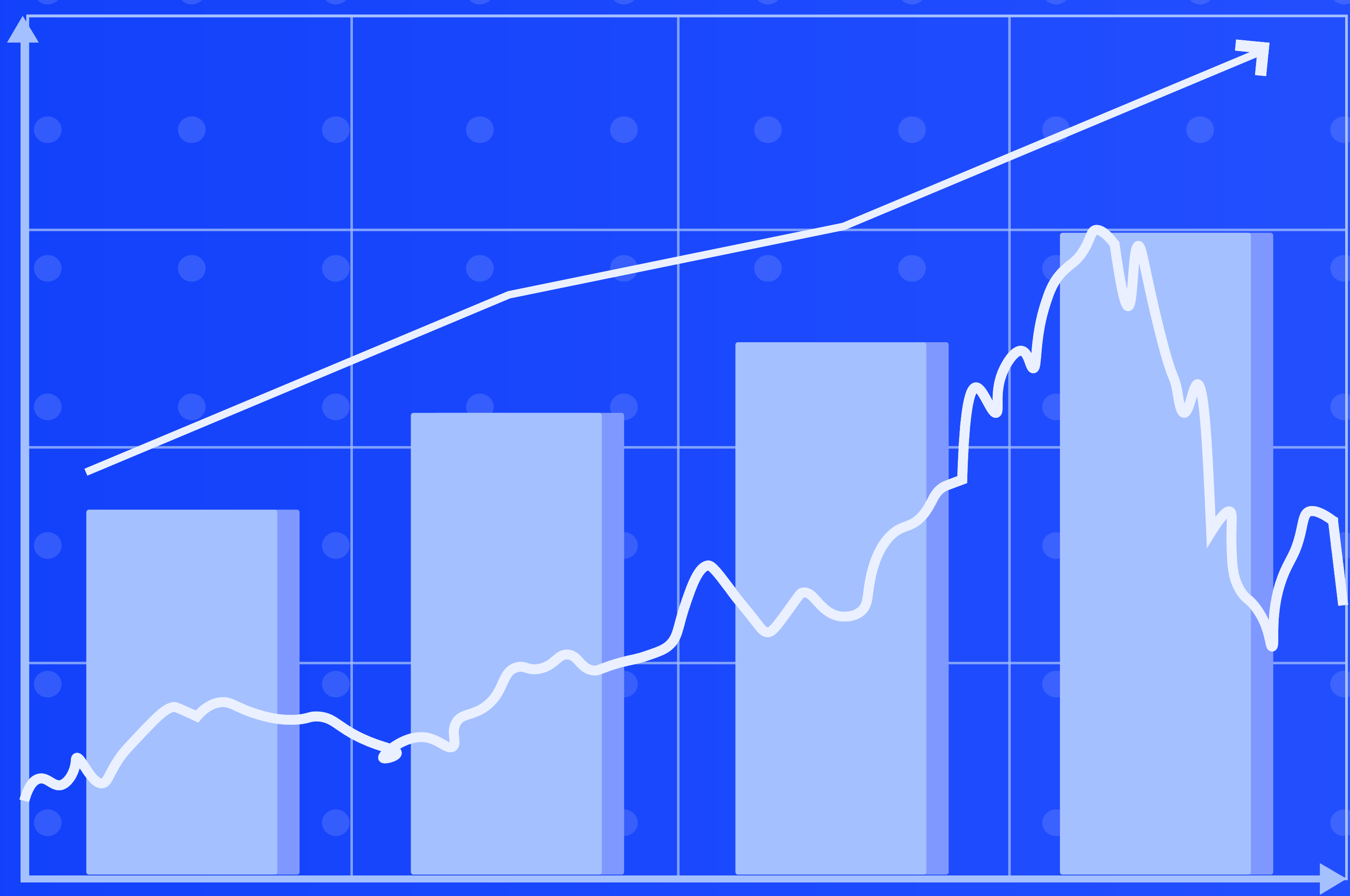
datalmpact
by NielsenIQ

Price: Tracking **inflation trends** at the **category, manufacturer and retailer level** in the US



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Introduction

The current inflation surge

An above-average surge in inflation began to take hold throughout much of the world in the beginning of 2021. At the time of writing, the trend shows no signs of abating and prices are rising **at the fastest pace since the 1980s.** Several factors have been cited as contributing to the current surge, and it's certain that the supply chain disruptions triggered by the pandemic are foremost, as well as an unanticipated demand for certain goods.

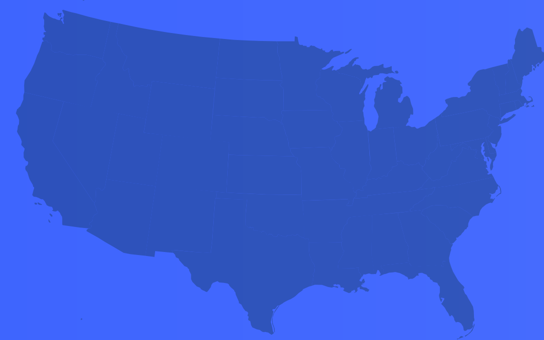
Oil and gas prices figure heavily into inflation as their high prices have a cascading effect on transportation of goods like food which also carry inflated prices. The Russian invasion of Ukraine has pushed the price of oil and gas higher, as well as having an effect on the price of wheat and the production of flour and the varied products it's used in.

Skyrocketing food prices

Along with fuel, food prices make up part of the core Consumer Price Index (CPI) and it rose by **6.5%** over the last 12 months. With labor shortages and strong consumer spending also contributing to the current situation, US retailers have been facing cost increases from suppliers. While they've been absorbing rising costs, resisting the urge to pass them on to consumers and potentially lose sales, that position became untenable and prices began to rise in 2021. They held out as long as possible, seeing who amongst their competitors would start to transfer costs to consumers first by raising prices.

The US inflation rate is now at a **39-year peak**. The Federal Reserve, tasked with controlling inflation, voted on March 16, 2022 to raise interest rates several times in 2022 in an effort to control rising prices.

Analysis 1: **Cross-category tracking**

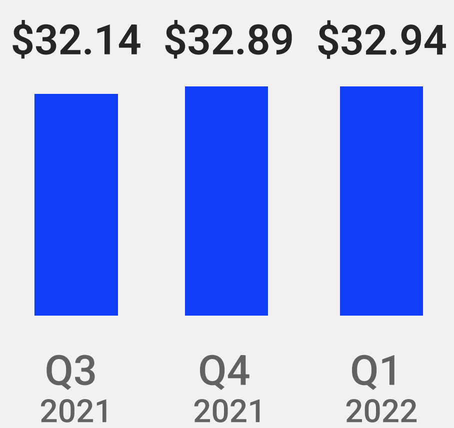


Consistent trends

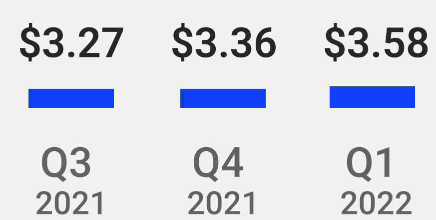
Monitoring price over time at a category level across retailers can reveal powerful insights. In this instance, inflation is reflected independent of factors such as retailer, competitor, or category, as all three instances demonstrate the steady increase in price.

Prices across categories

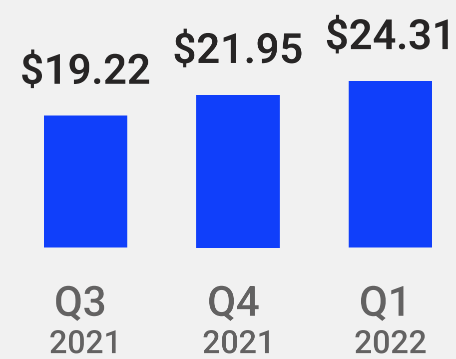
↑3% WHISKEY



↑10% YOGURT



↑27% BABY CARE



Source: Data Impact by NielsenIQ

Analysis 2: **Category-specific tracking**

Cross-retailer trends

Utilizing store-based analytics, price points at every online location were recorded to obtain the true average across all three major retailers' estores. While the average price of baby care products increased globally, the most marked increase was at Walmart, implying that the increase is **category-wide,** and not restricted to one manufacturer's products. We can also assume that, with the lowest rate of price increase, Kroger is delaying price increases for as long as possible and may be challenging its vendors.

Baby care category

(Pickup)

Source: Data Impact by NielsenIQ

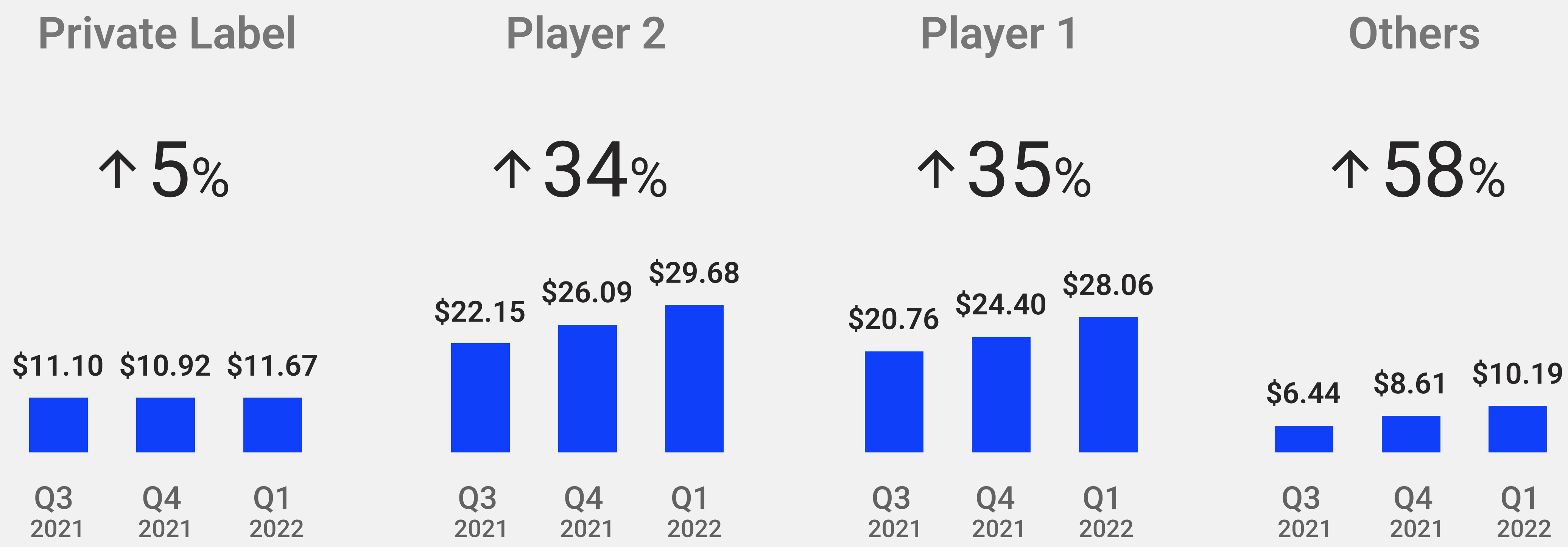
Analysis 3: **Retailer deep dive**

Retailer-specific

At the retailer with the most significant price increases, Walmart, we see that the two leading brands have **almost identical inflation rates, at 34 and 35% respectively**. Walmart's own private brand has **only increased 5% over the same period**, placing it in a very competitive position. Less dominant players, such as challenger and smaller brands, are unable to restrict cost fluctuation as much as the leader brands, and their prices have increased significantly. Since baby care products like diapers aren't a discretionary purchase, shoppers need to continue buying them and would need to hunt for the best deal. For that reason, it would be essential for players in this category to price as competitively as possible.

Price changes across manufacturers

Walmart



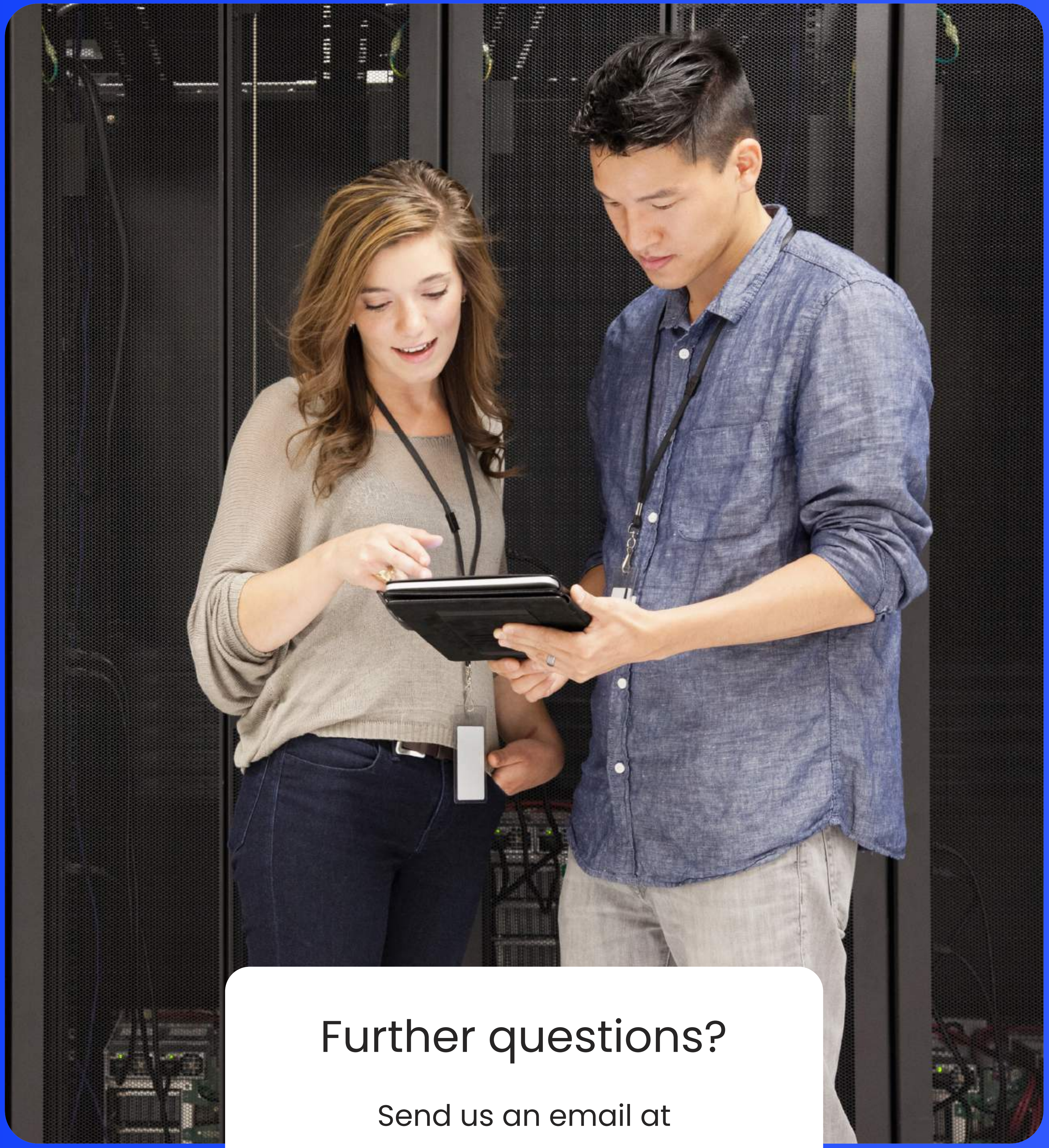
Source: Data Impact by NielsenIQ

Conclusion

Strategies for inflation

Streamlining supply chains, collaborating more closely with suppliers and having a clear, long-term pricing strategy are all essential for manfacturers during periods of inflation.

At Data Impact by NielsenIQ, our client support consultants help clients navigate challenging periods such as this.



Further questions?

Send us an email at
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