Puny chocolate bars and miniature crisps: Is 'shrinkflation' the worst business practice ever?

September 4 2024, by Monica Grosso, Diletta Acuti, Marta Pizzetti

Credit: Vie Studio from Pexels

Next time you pick up a package of coffee or a pack of toilet paper, take a closer look. You might notice the package looks familiar, but what is inside has subtly diminished. This is "shrinkflation" in action, a pricing strategy used by manufacturers worldwide. By reducing product size instead of increasing final prices, companies take advantage of the psychology of shoppers who are more likely to notice a price hike than a slight reduction in size.

A pervasive trend

Despite complaints by consumers and recent government initiatives, the phenomenon shows little sign of abating. According to research by the British bank Barclays, in August, 8 out of 10 British consumers reported that the practice was hitting their finances. A quarter of them have even started to notice "double-dip shrinkflation", where products go through two or more rounds of size reductions, without a corresponding price reduction. The top five most frequently cited products impacted are chocolate (57%), crisps (44%), packs of biscuits (41%), snack bars (36%) and sweets (36%).

One of your favorite brands is probably guilty of it. Take the latest Toblerone chocolate bar for example, now a gappier version of its former self. Other well-known products to have taken a cut include Mars and Galaxy chocolate bars, McVities biscuits, Magnum ice creams, Pringles, Lurpark butter and the list goes on.

In spite of its growing use, shrinkflation is not a new trick in the corporate playbook. In times of economic turbulence, manufacturers have consistently turned to this stealthy strategy to maintain profitability without overtly raising prices. For instance, the UK government had already recorded 2,529 price quotes across the UK where the size of the tracked item had shrunk between January 2012 and June 2017. Fast forward to today, as global supply chains deal with unprecedented pressures and generalized hyperinflation, shrinkflation has re-emerged as a silent yet pervasive trend impacting consumers globally.

Consumers left feeling cheated

Shrinkflation often goes unnoticed by consumers until they open the package or start to dig in. In some cases, it comes with a product package renewal—such as an increased divot in the bottom of a jar—further confounding the consumer, who does not immediately realize that there's less of it.

Consumers hate its perniciousness, feeling cheated and disempowered over their purchases. They have launched a number of petitions and called on supermarkets to follow the lead of French supermarket Carrefour in labeling products hit by shrinkflation. Despite the increased media attention and scrutiny, in a very few cases voluntary actions have been put in place so far from big retailers.

Do companies realize just how bad for business it is? A recent study demonstrated that the majority of consumers consider shrinkflation a dishonest practice, much more unfair than the price increase. Retailers are not exempted from consumer outrage, since they are also considered culpable for it, despite their limited control over the package size reduction, as our preliminary findings suggest.

Grumbles on social media

Our analysis of 4.000 X posts published between January 2022 and January 2024 containing the keywords "#shrinkflation" or "shrinkflation" shows that consumers consider manufacturers responsible for shrinking the quantity of the products, but also attribute responsibility to retailers for not protecting consumers from these new market dynamics.

Consumers can blame the food industry or specific brands, or both. In the case of brands, they often explicitly mention the brand and show images of shrunken packaging. Consumers who blame manufacturers for employing such tactics express feelings of deception or being cheated, especially if this means they get less bang for their buck. Indeed, brand communications about shrinkflation are perceived as deceitful, as they try to convince consumers about the benefits of the packaging reduction:

Of course, size isn't everything; sometimes fewer ingredients or materials impacts the quality of the product itself. Oreo, for example, has been accused of reducing the layer of cream between cookies without lowering prices.

More unpopular than price rises

These insights are further confirmed by the results of our studies conducted online in the first six months of 2024 involving more than 1,700 consumers from the UK and Italy. Through an online questionnaire, consumers involved via a crowdsourcing platform (i.e., Prolific Academic) were randomly messaged that their favorite supermarket was implementing shrinkflation or raising prices.

The consumers who received our communication on shrinkflation practices showed higher levels of aversion toward the retailer and perceived higher levels of price unfairness (+7.3%) compared to those who received the message communicating price increase. Our findings also show a substantial reduction of trust toward the retailer, dropping by 4.5%, together with a drop in attitude, meaning that consumers have less favorable perceptions toward retailers when they sell downsized products (-4%). Dwindling trust is particularly problematic for retailers, and it might be even more pronounced if shrinkflation is used for a longer period.

Governments respond

Some governments are now cracking down on the practice. For instance, since 1 July 2024 stores in France have been required to display warnings on products that have shrunk in size without a corresponding reduction in price, as Italy followed suit weeks later. In Asia, South Korea's antitrust regulator has also demanded that food manufacturers and suppliers inform shoppers if they reduce the size of their products or face fines of up to 10 million won ($7,300). US lawmakers, including President Biden, have publicly condemned shrinkflation and is considering new executive actions to crack down on the practice.

Companies aren't doomed to unpopularity, however. Should they yield to shrinkflation, our research shows that they can maintain trust and minimize backlash by proactively informing consumers.

Provided by The Conversation

Citation: Puny chocolate bars and miniature crisps: Is 'shrinkflation' the worst business practice ever? (2024, September 4) retrieved 5 September 2024 from https://phys.org/news/2024-09-puny-chocolate-bars-miniature-crisps.html