

2024 CONSUMER PRICE INDEX

Assessing Consumer Sentiment on Grocery
Pricing Trends in 2024





Introduction

Pricing has never been more important.

Pricing directly impacts a company's brand perception, financial health, and buying and selling experiences.

As businesses grapple with inflation, supply chain disruptions, market volatility, and geopolitical challenges, consumers are increasingly feeling the effects of these economic pressures. In recent years, the prices of everyday goods across the United States have risen significantly, and now the concept of dynamic pricing is adding to consumer concerns.

Zilliant has been a leader in pricing for the past 25 years and is committed to helping

companies put pricing at the heart of their business by managing the entire pricing lifecycle. We work closely with customers to understand their unique challenges and goals, equipping them with pricing solutions to effectively drive profitability and revenue growth.

To gain better insight into consumer views on pricing, we surveyed 2,000 Americans about their grocery shopping experiences. This report explores key findings from the survey, including how people feel about rising prices, their understanding of supply and demand, perspectives on dynamic pricing, views on pricing transparency, brand loyalty, and more.



Consumers Experience Higher Prices Despite Inflation Cooling

While inflation is reportedly cooling, grocery prices remain high for many consumers. According to our survey, 61% of consumers have experienced higher grocery prices in the past six months, with average spending up by \$61.49 since inflation began to decline in August 2024. Moreover, nearly 2 in 5 (37%) respondents responsible for grocery shopping consider their monthly grocery spending “unaffordable,” with 1 in 8 (13%) finding it “very unaffordable.”

This data underscores the persistent financial strain and frustration many shoppers feel, even as inflation declines. Overall, survey respondents expressed a generally negative sentiment toward their monthly grocery spending.

*Mean (\$: where a positive number indicates an increase, and a negative number indicates a decrease)

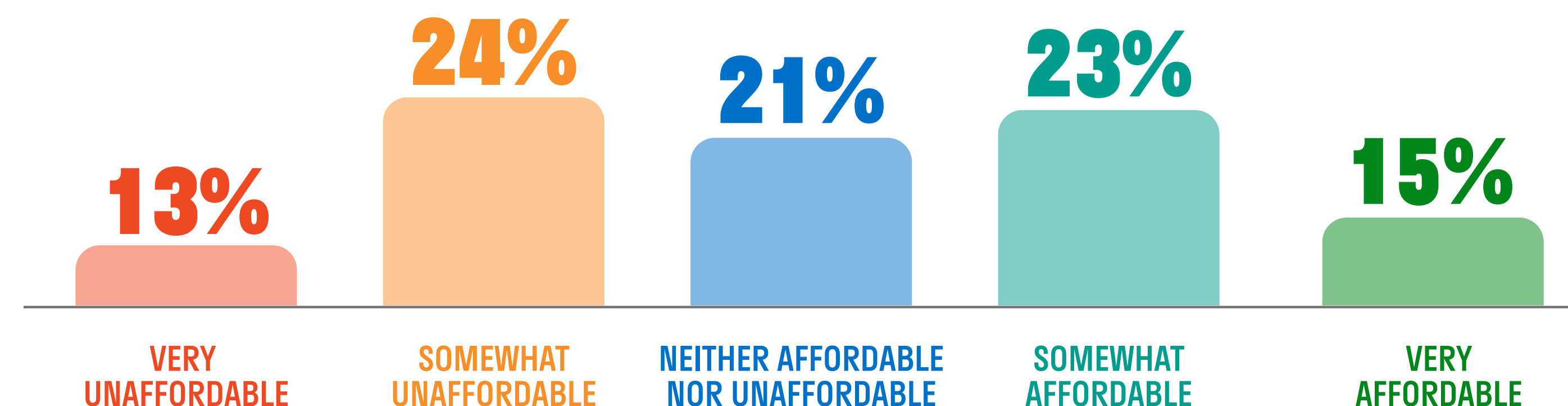
**‘Very unaffordable’ and ‘somewhat unaffordable’ answers combined.



Just over 3 in 5 consumers surveyed said they have seen their typical grocery prices increase in the last 6 months.

\$61.49

On average*, consumers surveyed said their grocery shopping spend has increased \$61.49 since inflation started to drop in August 2024.



Almost 2 in 5 consumers surveyed said their grocery spend each month is unaffordable, with just over 1 in 8 who say it’s very unaffordable.**



Inconsistent Sentiment on Supply & Demand Dynamics on Pricing

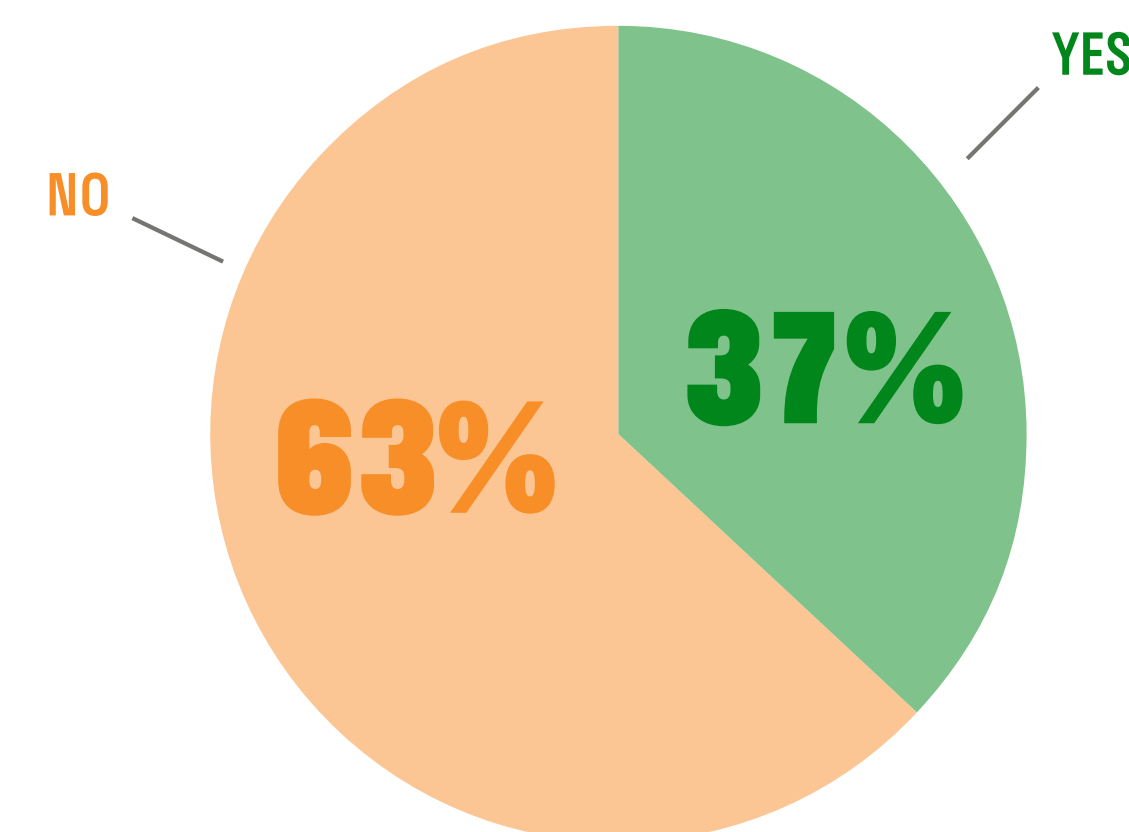
Despite the reality of costs in changes in supply, demand, and production costs, only 37% of consumers agreed that adjusting prices based on supply and demand made sense, and just 15% felt that prices should rise on goods in low supply but high demand.

Interestingly, some consumers are more accepting of price increases when linked to rising production costs: about 33% believe prices should rise if production costs go up. This indicates that while consumers may or may not grasp the basics of supply and demand, they do not believe that the market dynamics that producers must bear should be passed on to them and that demand should not determine price. This may suggest that when a product is in high demand, consumers might expect increased production and expect prices to remain predictable.

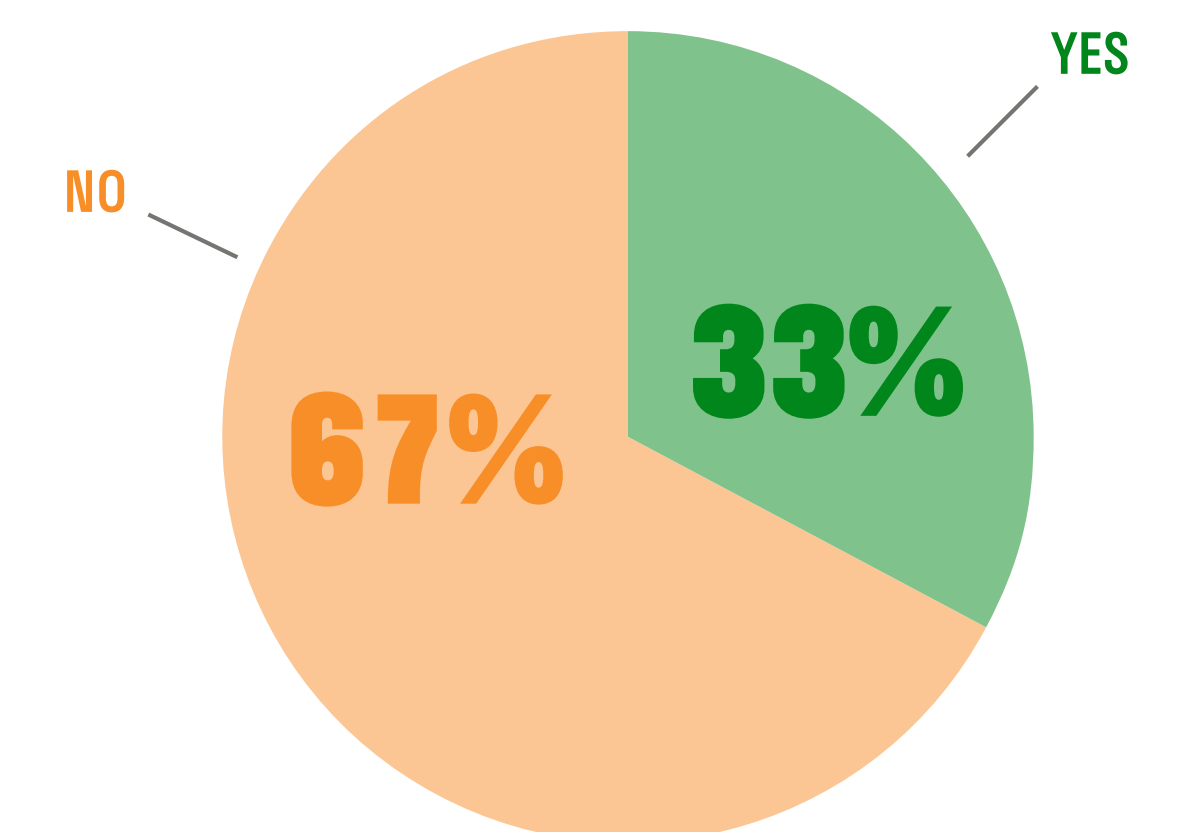
1 in 7

15% of consumers surveyed believe that prices should be increased on goods that are in low supply with high demand.

Almost 2 in 5 (37%) consumers surveyed said the concept of adjusting prices of goods based on supply and demand makes sense to them.



A third (33%) of consumers surveyed said that if the cost to produce goods increases, the price of the goods should increase.





38%

The percent of consumers who cite inflated prices during high demand/low supply as a primary concern highlights the perceived negatives of dynamic pricing.

Misunderstandings About Dynamic Pricing & Assumed Price Gouging

Our survey revealed that many consumers may have misunderstandings about dynamic pricing. In fact, 38% of respondents viewed higher prices during times of high demand and low supply as an impact of dynamic pricing.

Dynamic pricing is pricing that responds to changes in supply, demand, competitor

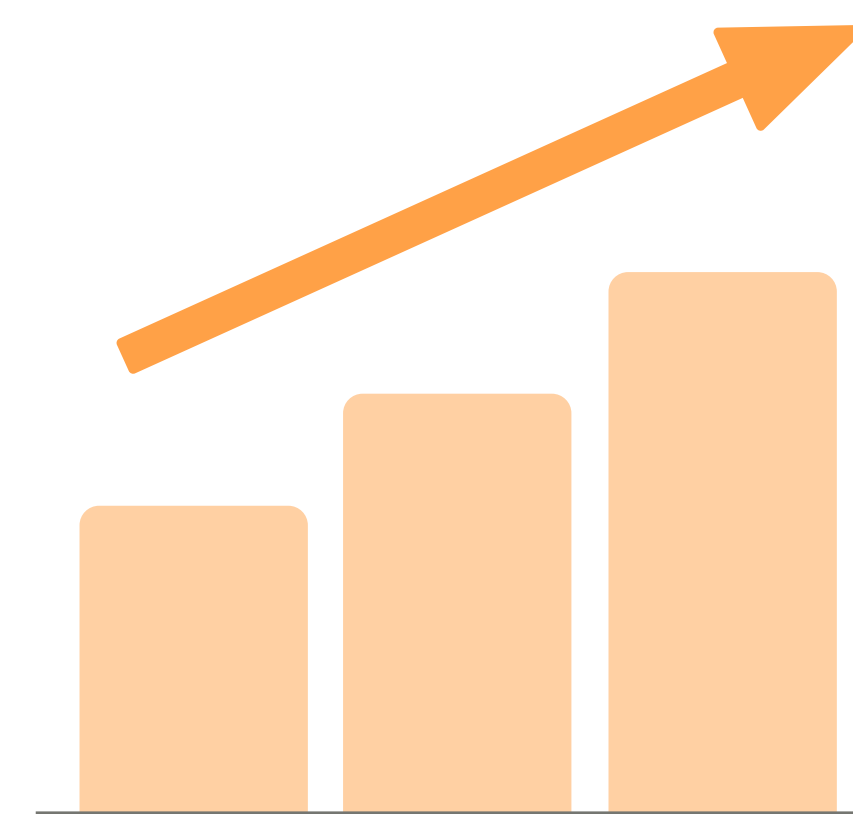
actions, and customer behavior, ensuring prices remain competitive and aligned with the market. Since a significant number of consumers surveyed felt that dynamic pricing only leads to higher prices, it's clear why they associate it with negative outcomes for them.



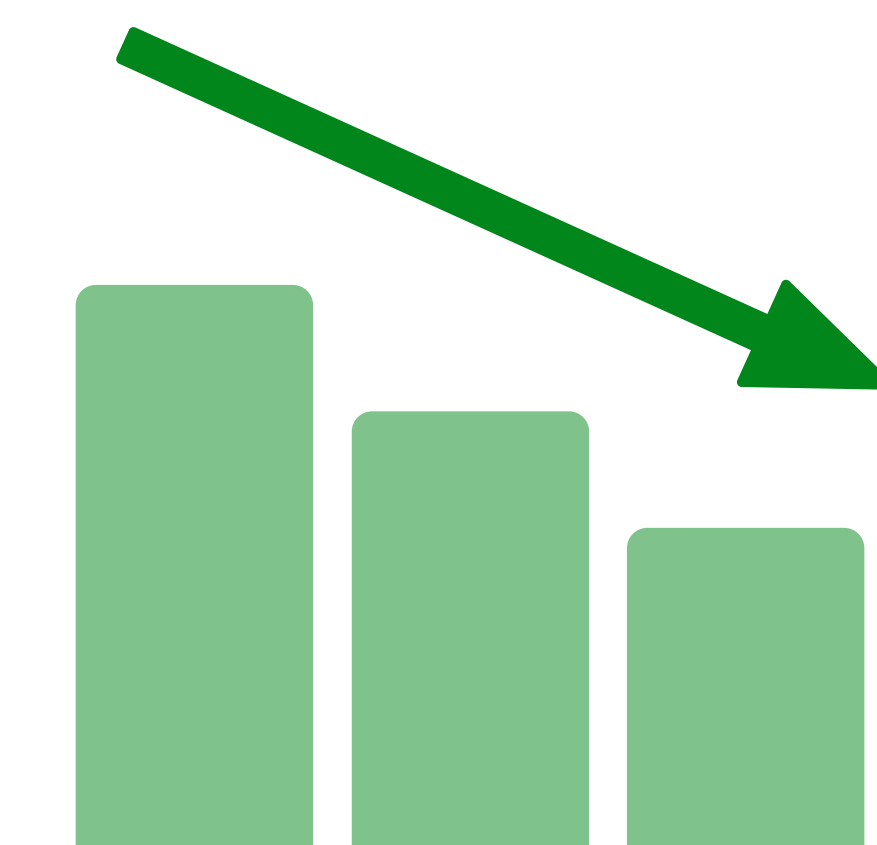
Many Consumers Already Experience Dynamic Pricing

While consumers may have preconceived ideas about dynamic pricing, our survey reveals that many have already encountered it, knowingly or not. In fact, 47% of respondents reported seeing price increases when products are in high demand, and 42% noticed price cuts when items are low in demand or nearing expiration.

This highlights how grocery stores are already using dynamic pricing strategies without labeling them as such. High-demand products often carry higher prices, while low-demand items typically end up in the clearance section. And it's not just demand — factors like inflation, customer behavior, and competition also drive grocery price changes, all of which are accounted for in true dynamic pricing.



Almost half (47%) of consumers surveyed have experienced price increases when a product is in demand when grocery shopping in-store.



Over 2 in 5 (42%) consumers surveyed have experienced price cuts when a product is expiring when grocery shopping in-store.



Transparency & Brand Loyalty Are Key

Our survey shows that transparency around price changes is crucial for consumers when it comes to dynamic pricing. A lack of transparency about price increases (32%) and price volatility (27%) were the top two reasons respondents responsible for grocery shopping said they might hesitate to shop at a grocery store that uses dynamic pricing. Additionally, on average, surveyed consumers indicated that a 30% price increase would prompt them to consider switching to a different brand.

This data suggests that grocery stores could help ease concerns around dynamic pricing by proactively informing shoppers when prices are higher due to factors like high demand, low inventory, or inflation. While brand loyalty appears strong, providing clear explanations for price fluctuations could enhance consumer trust and further strengthen loyalty, especially among shoppers who might otherwise consider switching brands due to rising prices.

The top three things consumers surveyed said would most make them apprehensive about shopping at grocery stores that use dynamic pricing are:

01- LACK OF TRANSPARENCY

32%

No explanation for price increases

02- PRICE VOLATILITY

27%

Price changes go up and down on a regular basis

03- LACK OF TRANSPARENCY

19%

No explanation for price decreases



On average*, consumers surveyed who are responsible for grocery shopping said that when shopping for a branded product that they usually buy at a grocery store, a price increase of 30% would make them consider purchasing another brand instead.

* Mean (%) (Excluding 'N/A – any increase in price would make me look at other brands', 'N/A – I would buy my usual branded products no matter how much the price increases', 'N/A – I do not usually buy branded products', and 'Not sure')



The top three pricing-related changes consumers responsible for grocery shopping want to see more of are:

01

42%

Physical store loyalty cards that offer discounts and/or loyalty advantages

02

29%

More information about the pricing of goods and/or how it is achieved

03

23%

Personalized prices through an app

Other Consumer Trends Beyond Dynamic Pricing

Beyond dynamic pricing, discounts, rebates, and personalized pricing are important to consumers. According to our survey, 42% of respondents would like loyalty cards that provide discounts, while 29% want more transparency on how prices are set. Another 23% are interested in personalized pricing through apps, allowing them to receive discounts based on their shopping history.

This demonstrates that, aside from simply lowering prices, grocery stores can address consumer concerns about price changes by providing a more transparent, consistent, and personalized shopping experience. These efforts can help increase customer satisfaction and build trust.



Conclusion

Pricing has become more critical than ever in today's volatile economy, presenting a complex issue for consumers, especially as financial pressures grow. Despite many shoppers encountering dynamic pricing daily, it still raises concerns due to preconceived notions around terms like Dynamic Pricing. Consumers might be more accepting of price increases if there were greater transparency about the factors driving them. While sentiment around price hikes is generally negative, grocery stores can take steps to better inform customers and alleviate some of the financial

strain—through discounts, loyalty programs, and personalized pricing.

Like retail, B2B businesses are experiencing evolving market dynamics that require them to reimagine and transform their entire pricing process. Unfortunately for many businesses, pricing is often ignored, underfunded, or under scoped. Zilliant believes companies need to manage their entire pricing lifecycle to ensure they are delivering the right product at the right price to their customers.



About Zilliant

Zilliant helps businesses put pricing at the heart of their business by managing the entire pricing lifecycle with leading CPQ, price management & optimization, and Revenue Intelligence applications. Zilliant's data science, cloud-native software and passion for customer success deliver the highest ROI, fastest time to value and highest customer satisfaction. [For more information, please visit www.zilliant.com](http://www.zilliant.com)