

Is 'shrinkflation' a sneaky or clever business strategy?

1 Warmer - Shrinkflation

shrink = become smaller in size

inflation = an economic process in which prices increase so that money becomes less valuable

a. What does the portmanteau business word, *shrinkflation*, mean?

b. How many examples of packaged product shrinkflation can you find in the article? _____

2 Lead in - Business dilemma

a. Discuss this business dilemma with a partner. Make a decision and give reasons for your decision.

You work for a dried pasta company. Your costs have increased by around 20% in the past six months. So far, the company has accepted the losses, but now you have to make a decision. Will you:

a. increase the cost of a 500g box of pasta by 20%,

or

b. reduce the amount of the pasta in a box to 400g and keep the price as it is?

3 Key words

a. Write the words from the box next to the definitions below. Check your answers and your understanding of the words by using the same word to complete the example sentence immediately after each definition.

Then read the complete article to see how each of the key words is used in context (the words are sometimes in a slightly different form).

alienate	amenities	bottleneck	brag	capitalize on	exploit
retire	sneaky	tack on	tweak	walk-ins	wholesome

1. a specific problem in part of a process that causes delays to the whole process

Last month, we had a _____ in production when the whole batch of one particular part was held up at customs.

2. talk about your achievements in a proud way that annoys other people _____

I hate it when our competitors still continue to _____ about the business award they won five years ago.

3. doing or saying things secretly, often in a dishonest or unfair way _____

That's a very _____ and unhand way of doing business!

4. to make someone dislike you or not want to help or support you _____

This new marketing campaign is possibly going to _____ a few of our more conservative customers.

5. people who go to a restaurant or another place without making a booking or appointment beforehand _____

The doctor decided to set up a clinic for _____ on Saturdays for people who couldn't get an appointment during the week.

6. add something extra, especially something that does not seem to belong to the rest _____

My bank plans to _____ an extra charge for replacing a lost credit card.

7. get rid of something because you no longer want or need it _____

It's really time for me to _____ my old PC and get a new laptop.

8. make small changes in order to improve something _____

The technician is coming to _____ the settings on the machine this morning.

9. to use an event or a situation to help you to achieve something or get an advantage _____

We'd be mad not to _____ the bad press our main competitors are getting at the moment.

10. to use a situation so that you get benefit from it, even if it is wrong or unfair to do this _____

We need to _____ every opportunity for media coverage.

11. a way to describe something – especially a type of food – that is good for you

Our canteen offers _____ meals that are cooked on the premises.

12. things that make it comfortable or enjoyable to stay, live, or work somewhere

_____ *include a gym, a pool, and a jacuzzi.*

Why 'shrinkflation' means you are paying the same for less

BROOKE MASTERS

- 1 Inflation is everywhere. Labour shortages, supply chain bottlenecks and rising post-pandemic demand were already pushing up costs. Now Russia's invasion of Ukraine is squeezing the supply of food and energy.
- 2 Some big companies have seemed happy to push the pain through to their customers: Procter & Gamble and Unilever bragged that price increases had boosted revenue last year as they announced plans for more.
- 3 But sometimes manufacturers prefer to be sneaky — or fear that customers will flee. So today's Doritos bags have five fewer chips and mega packages of Cottonelle toilet rolls have lost 28 sheets. Unilever is among those practising "shrinkflation": bottles of Dove body wash recently dropped from 24 to 22 ounces in the US but can still be sold for the same price.
- 4 Mentions of changing product sizes shot up on earnings calls at the end of last year, says analytics firm Sentio. "Pricing is just one of the levers in our toolkit . . . Pricepack architecture also becomes critical in these inflationary times," said Noelle O'Mara of Tyson Foods, in one typical reference
- 5 Shrinkflation doesn't start and stop with packaged goods. Service and hospitality providers, such as hotels, restaurants and theme parks, are under even more pressure to find creative ways to preserve their margins. Sales and consumer demand for their products were badly dented by Covid lockdowns. Revenue is rebounding, helped by widespread price hikes, but these companies can ill-afford to alienate their guests.
- 6 Data from OpenTable show that global seated diner numbers — including walk-ins — have only just recovered to pre-pandemic levels after the latest Omicron wave. Hotels have had it worse. Global room rates fell by more than 25 per cent during the pandemic, so operators were digging their way out of a big hole even before costs started to rise.
- 7 Such businesses are now turning to creative ways to pass on costs or otherwise boost profits. That may mean providing less for the same price or tacking on new fees. Both Hilton and Marriott have made daily housekeeping services "opt in" for most properties, which means guests don't get it unless they ask. I recently spent four nights at a Best Western and was told there would be no housekeeping at all during my stay. Most hotel breakfast buffets closed down during the pandemic, and many chains have been slow to reopen them and incur the additional costs. And Walt Disney World last year retired its free line-skipping service and now charges for speedy ride access.
- 8 UK pub group JD Wetherspoon is taking a different tack. Chair Tim Martin says the chain has absorbed higher costs for some popular items, such as Beck's beer and Bell's whisky, with the goal of making up in volume what it sacrifices on each sale.
- 9 At restaurants, cost-shifting strategies often revolve around tweaking menus to avoid outright price hikes. Chefs may reformulate a dish to remove expensive ingredients or give it a new name and price. Entrées that once came with two vegetable sides now have just one. Online menus, ordering and payment apps help cut staff costs, while shorter menus allow venues to order fewer ingredients, cut food waste and capitalise on volume discounts. More deviously, some establishments exploit the concept of "plate cover", says restaurant consultant Peter Backman, using decorative sauces and meat sliced diagonally to make portions look more generous.
- 10 The penny pinching is not going unnoticed. Covid was initially an acceptable excuse for reduced service and empty shelves, but patience is wearing thin. US customer satisfaction has fallen since 2018 to its lowest level since 2005.
- 11 That discontent leaves companies scrambling to sell these product and services changes as something more wholesome. Cadbury owner Mondelez insisted that a cut to the size of Wispa chocolate bars in its multipacks was part of a "proactive strategy to help tackle obesity". PepsiCo-owned Gatorade has said

Continued on next page

the 14 per cent cut in the size of its sports drink bottles was part of a redesign to make them “more aerodynamic” and “easier to grab”. Hyatt (along with most other hotel chains) touts efforts to eliminate small bottled amenities and encourage towel reuse as part of cutting its carbon footprint. All three claims appear to be true, but common sense dictates that the associated cost savings were not irrelevant.

- 12 Food delivery app Just Eat is trialling a less cynical way to shrink portions and preserve margins for its partner restaurants. Its “waste less” programme offers customers the option of ordering a smaller size fries if they don’t need a regular one. That way they get less because they choose to, not because the seller does.

FT

Brooke Masters March 22 2022

© [The Financial Times](#).

All rights reserved.

Articles republished from the Financial Times.

4 Understanding the article

a. Find key information in the article and complete the table.

Reasons for inflation and rising costs	
Types of shrinkflation in packaged food and drinks	
Examples of shrinkflation in the hotel industry	
Examples of shrinkflation in restaurants	
Examples of shrinkflation in the leisure industry	
Justifications given by companies for their shrinkflation actions	

5 Business language

a. Match these words to make financial terms from the article. Then find them in the article to read them in context.

pricepack	call
penny	architecture
earnings	pinching

b. Discuss what they mean and look up the meanings of any you do not know.

6 Business language – multi-word expressions

a. Find multi-word expressions and phrases in the article that match the meanings below. The section numbers are given to help you.

1. options we have available to use to deal with a difficult situation (section 4)

2. make sure the profit a business makes does not decrease (section 5)

3. income from business activities is increasing again after a fall (section 5)

4. when increases in the cost of items can be seen in many places (section 5)

5. trying to find a way out of a bad situation (section 6) _____
6. decide that you want to do or partake in something (section 7)

7. doing things in a different way (section 8) _____
8. when someone is at the point of being annoyed and is likely to get angry soon (section 10)

b. Decide which of the expressions could be useful to you and use them in sentences of your own.

7 Discussion questions

a. Discuss these questions.

- What examples of shrinkflation have you noticed in the past months?
- Which of these examples may help reduce people's carbon footprint and improve their health?
- Now that you've read the article and discussed the concept in depth, what do you think? (you may use alternative adjectives). Is '*shrinkflation*' a sneaky or clever business strategy?

8 Wider business theme – 50 years of one product

- a. Choose a branded consummable product that has been available for at least 50 years, e.g., Toblerone chocolate, Haribo gummy bears, Heinz ketchup, Lucky Strike cigarettes, Persil washing powder, Oreo cookies, etc.

Research how these components have changed and developed over the past 50 years:

- packaging
- product size
- ingredients
- cost (in relation to inflation)
- marketing strategies
- customer base

What were the reasons for these changes?

How did they affect the product's:

- sales
- reputation
- customer satisfaction
- customer retention
- global positioning
- shares

Were any of the changes reversed?

How different is today's product to that of 50 years ago?

- b. Produce a poster, infographic, or presentation slides with your findings and present it to the group.