## What is Shrinkflation?

April 4, 2022

<u>In news-</u> During periods of high inflation, companies often downsize products so they can keep prices unchanged.

## About Shrinkflation

- In economics, shrinkflation, also known as the grocery shrink ray, deflation or package downsizing, is the process of items shrinking in size or quantity, or even sometimes reformulating or reducing quality, while their prices remain the same or increase.
- Companies face higher prices for their supplies and may try to pass that onto the consumer.
- Downsizing a product reduces costs for manufacturers.
- The word is a portmanteau of the words shrink and inflation. First usage of the term "shrinkflation", has been attributed to both Pippa Malmgren and Brian Domitrovic.
- A less common usage of this term may refer to a macroeconomic situation where the economy is contracting while also experiencing a rising price level.
- Rather than increase the price of a product, the company simply offers a smaller package for the same sticker price.
- Raising the price per given amount is a strategy employed by companies, mainly in the food and beverage industries, to stealthily boost profit margins.
- Consumers are price-sensitive but may not notice subtle changes in packaging or read details about the size or weight of a product.
- Shrinkflation runs the risk of turning customers away from a product or brand if they notice they are getting less for the same price.
- Despite this approach being legal, it can lead to customer complaints and has even sparked a lawsuit.