What is Shrinkflation?

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In news- 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, i**s 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.