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Trendspotting: How grocers can combat surging prices

By

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Grocers are facing a bevy of issues heading into 2023. How they react to these issues will make all the difference in emerging strongly from this challenging period.

With inflation persisting at 7.7 percent, fighting its effects is a top priority for grocers, who will look to generate higher margins and avoid passing rising costs onto consumers.

Shelf Engine, an organization that helps grocers maximize results by using artificial intelligence to predict shopper demand, discussed the biggest trends that will disrupt grocery in 2023 and the impact they will have on the industry in its report *The Aisle Ahead: Shelf Engine Grocery Outlook*.

“Grocers will find creative ways to battle inflation on behalf of their customers,” said Ben Schmidlin, senior director of Shelf Engine. “Knowing the major impact to consumers’ pocketbooks, retailers will absorb margin hits and look to reduce their own costs in every way possible.”

One way grocers will reduce costs is through SKU rationalization. The average grocery store carries almost 36,000 items. Eliminating underperforming SKUs will result in higher sales and less shrink. “Grocery labor and product cost pressures will lead to additional product displacement and changes,” said Michael Schall, Shelf Engine advisory board member and former Whole Foods Market senior principal.

It may also be tough sledding for the introduction of new products. John Burry, a Shelf Engine strategic advisor and ex-Tesco chief merchant, said, “This is a tough environment for new products. Customers have less discretionary spend for gambling on totally new brands. The cost of carrying excess assortment is coming into sharper focus.”

All in all, company leaders foresee these 10 trends impacting the industry next year:

1. Absorbing inflation
2. Pricier deliveries
3. Fragmented shopping
4. Consumer connections
5. Capitalizing on differentiators
6. Growing gulf
7. Increased consolidation
8. Tech acceleration
9. Centralized ordering
10. Order automation

In the end, consumers will default to what they usually do — trying to save money.

“Consumers will seek out ways to decrease grocery bills whenever possible. This will lead to prioritizing purchases of necessary items over luxury or ‘nice to have’ items,” said Schmidlin. “The result of this need for lower grocery prices will erode loyalty, drive competition and lead to consumers shopping multiple outlets for everyday needs.”

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About Craig Levitt |

When his dreams of becoming a professional hockey player came crashing down due to lack of talent, Craig Levitt turned to journalism. He graduated from Hofstra University in 1992 and has covered various areas of the retail food trade since 1996. Craig joined The Produce News in 2017 and is now managing editor. In his spare time, Craig still plays men's league hockey (poorly) and enjoys walking the aisles of his favorite supermarket with his wife and two daughters.

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