



- Advertisement -

**In the Trenches: Is inflation causing produce shrinkage?**

---

By

Ron Pelger

April 24, 2023

It's no secret that price has become a greater concern with consumers as they shop through the grocery store week after week. Rising prices have resulted in negative emotions among consumers — and there is no way of knowing when the worst will be over.

Consumer food spending is generally considered to be 10-13 percent of a family's total income. As the cost of a family's personal household expenses persistently increases and outpaces their earnings, food spending decreases. Thus, shoppers are changing the makeup of food they buy and where they choose to buy it. It is a different shopping ballgame today.

So, is the increased pricing of produce causing shoppers to bypass items they normally would purchase? If so, by not buying those items it delays the turnover and loses its shelf life. Thus, the aging product simply turns into a shrink loss.

Shrink will always be a major concern in produce. Identifying it is one thing; controlling and preventing it is another. There are countless causes that create shrink at every level of company operations. Much higher produce retail prices will often fend off consumers and contribute to that product shrink. Retailers take many steps to keep the product alive until it is sold. The longer produce is in the store, the faster shrink sets in on it.

Every retailer wants to protect its gross profit. When costs keep escalating, the retailers keep escalating. It's almost a never-ending game, but consumers are the decision makers as to how much higher they will be willing to go until they resist spending and draw the line on items.

Here are five areas to consider in controlling waste caused by higher inflationary produce pricing.

- **Spending:** Identify all areas where you could spend less. Check every part of your business and cut costs where necessary but keep driving sales to generate revenue. Items that can easily go astray are supplies at the store level, utility waste and unnecessary labor scheduling.
- **Inventory:** Keep control of your product assets. Higher product costs sitting around in the back room is only tying up money. Excess stock that's not moving through the store checkouts will just age and turn to waste.
- **Procurement:** Be smarter when making product decisions. It's always best to do your homework and plan to negotiate better deals with suppliers. Never buy truckloads of produce unless it gets out on the sales floor and sells fast. Overbuying for the warehouse is the same as overordering at the store level. Too much on hand will wind up as shrinkage.
- **Customer retention:** You've heard this before — It's always better to invest in selling more products to existing customers than it is to spend money trying to establish new customers. Concentrate on your everyday regular customers in order that they return more often.

- 
- Promotions: Advertising is another expenditure, but one that is well worth it if planned well. Remember, during this higher priced time, customers have changed their buying habits. Many consumers have a limited budget. Make sure to offer them great value for their money. Promote items in your ad flyers that will not only draw customers to your stores, but also keep them returning for future purchases. Discounting ad items is another big expenditure, so make the items attractive enough to draw a crowd.

It's important that you fully understand what inflation can do to your business if you don't pay enough attention to it. If your prices get out of hand, it can affect your sales volume. Higher prices weaken the purchasing power of consumers and hold them hostage. Food prices at home and away from home have risen. This has consumers very concerned as wages haven't kept pace. For now, we just must be smarter in managing the business.

Look at the brighter side — Inflation will not last forever. There is an end in sight.

Ron Pelger is a produce industry adviser and industry writer. He can be contacted at 775-843-2394 or by e-mail at [ronprocon@gmail.com](mailto:ronprocon@gmail.com).

[Print](#)