Sheldon Jacobson: 'Shrinkflation' — the downsizing of prepackaged goods — has been happening for years

Jacobson, Sheldon H . Chicago Tribune (Online) , Chicago: Tribune Publishing Company, LLC. Jul 26, 2022.

FULL TEXT

Inflation has been running at a 40-year high. Yet another type of inflation has been persisting for well over a decade: the shrinking size of prepackaged food items and consumer goods, termed "shrinkflation."

Consumers do not like to pay higher prices. Given that the cost of food and consumer products involves materials and labor, producers must either raise prices, provide less product when costs increase or lose profit margins. Up until the recent inflationary surge, producers gradually reduced the size of their products, typically for prepackaged food items and consumer goods.

To illustrate this point, the 5-ounce can of tuna used to be 7 ounces around 15 years ago. If the price of the can has remained the same, this equates to a price increase of 40%, accomplished without any price of a single can changing. This means that a tuna casserole that used to require two cans of tuna now requires three cans, or the casserole will be short on tuna.

Another item that has been affected is toilet paper: The number of sheets has been reduced, and the size of a square and the width of the roll have shrunk. Look at the extra space in the toilet paper holder the next time you change a roll.

Examples of other items that have been affected include bags of potato chips, tubes of toothpaste, cartons of ice cream, boxes of cereal and cartons of orange juice. To avoid raising prices, companies have stealthily reduced the size of the unit being offered, often by fractions of an ounce.

Such downsizing has been going on for years. What allowed it to occur was low inflation, so producers could imperceptibly shrink their package size without raising the price of a unit. The recent inflation surge made this impossible, given that for the downsizing to go unnoticed, it must be done very gradually over several years. Much like the metaphor of boiling a frog "one degree at a time," consumers have been "boiled" with higher prices per unit by the shrinking size of a unit.

What are the consequences of downsizing packages? One is that landfills get filled more quickly. That 7-ounce can of tuna was incrementally larger than the 5-ounce can. Yet many more 5-ounce cans are being discarded into landfills if they do not get recycled, which is the case, given the 2018 EPA "Advancing Sustainable Materials Management" report. The same point holds for every other item affected by downsized packages.

Wholesale clubs that offer larger packaged items have become more popular. Costco reports that it has more than 116 million members in more than 64 million households. Yet many products offered are just larger bulk units of the same downsized products.

Many states require per unit pricing for most items offered for sale in grocery stores and similar retail outlets. The problem is that few people can recall what they paid for a product last year, let alone the "per ounce" price. Whether it be a can, a jar, a bottle or a carton, most consumers are not aware of the size of the unit unless it has changed dramatically. With small incremental changes, the per unit pricing provides little useful information for most consumers. A requirement that companies post historical unit prices sounds good but is easily circumvented

by changing product classifications and labeling to obfuscate such trends.
For items that are sold by the pound or ounce, such as fresh meats, seafood and fresh fruits and vegetables, or by count, like a dozen eggs by size, price changes cannot be hidden. It is only when items are prepackaged into defined units that the shroud of shrinking packaging can be successfully implemented.
Consumers' fixation on prices is like a pair of blinders. Price is one way to measure value, but it is just one dimension. Quantity, quality and benefits are also important components for assessing value.
This is most obvious with the proliferation of stores that sell items at or near $1. The feeling of getting "a great deal" is based on a failure to realize that many products offered in such venues are made overseas. Most Americans want to purchase items that are made domestically —but pay "made in China" prices.
The recent inflation surge is forcing companies that provide prepackaged foods and consumer goods to raise prices directly. The reaction by consumers is evidence that the incremental downsizing of units was effective.
The big question that remains is how these companies will respond in the future once inflation pressure subsides. Will consumers once again be lulled into a state of believing that the price of a can of tuna today is the same as it was 15 years ago? Or will label pricing increases continue?
At some point, it will no longer be feasible to reduce the size of a unit. Then companies will need to find a new way to maintain and increase profit margins without disenfranchising consumers. This has yet to be publicly disclosed but is most certainly being discussed in C-suites.
Sheldon Jacobson is a professor of computer science at the University of Illinois at Urbana-Champaign.
Submit a letter, of no more than 400 words, to the editor here or email letters@chicagotribune.com.

DETAILS

Subject:	Prices; Consumers; Landfill; Materials management; Profits; Consumer goods
Business indexing term:	Subject: Consumers Materials management Profits Consumer goods
Publication title:	Chicago Tribune (Online); Chicago
Publication year:	2022
Publication date:	Jul 26, 2022
Section:	Opinion - Commentary
Publisher:	Tribune Publishing Company, LLC
Place of publication:	Chicago
Country of publication:	United States, Chicago
Publication subject:	General Interest Periodicals--United States
Source type:	Blog, Podcast, or Website
Language of publication:	English
Document type:	Opinions

ProQuest document ID:	2694480998
Document URL:	https://www.proquest.com/blogs-podcasts-websites/sheldon-jacobson-shrinkflation-downsizing/docview/2694480998/se-2?accountid=14553
Copyright:	Copyright Tribune Publishing Company, LLC Jul 26, 2022
Last updated:	2022-07-26
Database:	Chicago Tribune

LINKS

Check for FullText Availability