

# The Pricing Conundrum

With the pandemic lifestyle in flux, pricing takes on new importance

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“Consumers have not been buying because retailers are coming out with great deals. Instead, they are shopping to enhance their lifestyles. There’s been a dramatic shift in consumption and the reasons for purchase. Consumption habits are evolving, demand level is changing, and the purpose of spending is on the move. Pricing reflects all of that and more.”

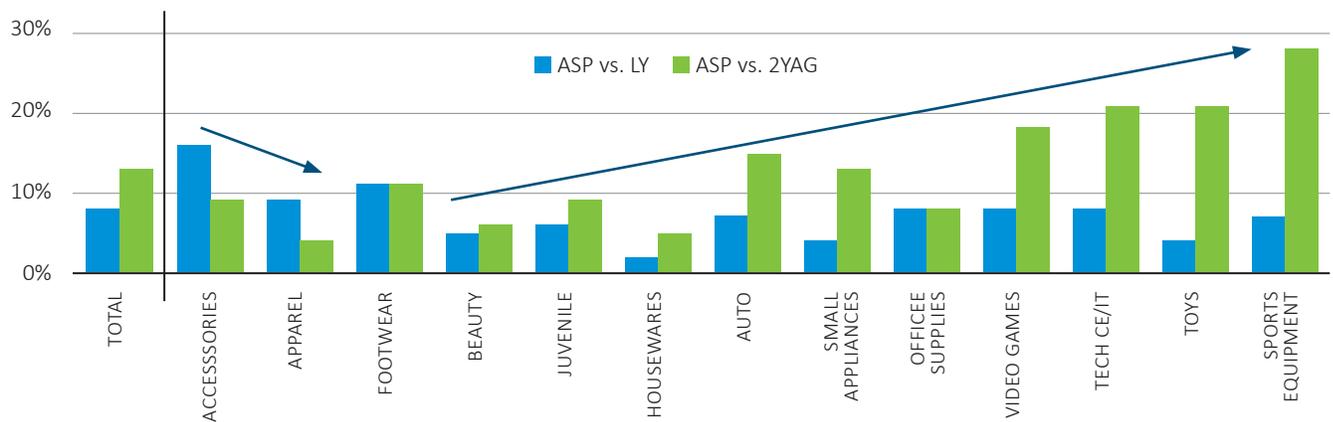


**Marshal Cohen**  
Chief Industry Advisor, Retail  
The NPD Group

Many of the consumer-lifestyle changes we've seen in the past two years will remain after the pandemic is behind us. Even as more consumers return to work, the pandemic lifestyle likely will not shift back entirely. Traditional price elasticity has been upended recently and, with so many factors at play, it can be difficult to say which shifts in buying behavior are due to pricing. All of this means questions surrounding pricing will continue to be top of mind in retail this year. **Here's a quick look at our recent pricing insights.**

## AVERAGE PRICE BY INDUSTRY

Average Price % Change: Annual 2021 (Jan – Dec)



Source: The NPD Group/Retail Early Indicator, NPD universe, 52WE January 1, 2022

## Pricing Q&A with Don Unser



Chief Retail Strategist Don Unser leads The NPD Group's practice areas for thought leadership, financial services, and the public sector. Unser's expertise in consumer and retail trends spans a wide range of general merchandise categories, making him a trusted advisor to some of today's most successful brands.

### WHEN IT COMES TO PRICING, WHAT IS THE MAIN FOCUS FOR NPD CLIENTS?

Retailers and manufacturers must be mindful and deliberate about how to price their products. As always, the first step is knowing who their customers are, what they have gone through, and what they are about to go through.

### HOW ARE DEMAND LEVELS SHIFTING?

With consumers at all income levels, everything is connected to the economy. Retailers and manufacturers must spend more time investigating their customers' psyche. Economic headwinds and tailwinds even affect the mindsets of consumers with higher household incomes who have a lot of savings. If their wealth effectively goes down, so too will their spending on high-end products.

## HOW CAN MANUFACTURERS AND RETAILERS LEVERAGE PRICING AND GAIN LONG-TERM SHARE?

Communicating your value proposition to consumers is always important, but it is especially crucial now, when there is so much uncertainty in the mix. Explaining why prices are rising on certain products is key. We also need to understand that, while upper-income consumers will generally continue to buy higher-priced products, many at the lower end will struggle more this year without the help of government stimulus payments. Pricing products at lower tiers to cater to a wider range of customers is the smart thing to do.

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## Analyze Pricing — Spend Wisely

Use our Pricing Analytics to assess which promotions are driving incremental sales and ROI. We can help you simulate price and promotion changes to gauge strategic opportunities for discounts and base price changes. It's how to predict expected sales from future promotions and base prices so you can spend more wisely.

### Learn more.

Contact your NPD account representative, call 866-444-1411, or email [contactnpd@npd.com](mailto:contactnpd@npd.com).

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### About The NPD Group

NPD is a global market information company offering data, industry expertise, and prescriptive analytics to help our clients understand today's retail landscape and prepare for the future. Over 2,000 companies worldwide rely on us to help them measure, predict, and improve performance across all channels, including brick-and-mortar, e-commerce, and B2B. We have services in 19 countries worldwide, with operations spanning the Americas, Europe, and APAC. Practice areas include apparel, appliances, automotive, beauty, books, B2B technology, consumer technology, e-commerce, fashion accessories, food consumption, foodservice, footwear, home, home improvement, juvenile products, media entertainment, mobile, office supplies, retail, sports, toys, and video games.

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