Shrinkflation's hidden impact: Exploring consumers' intention to punish the manufacturer brand and trust in the retailer

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Abstract: As inflation reaches its highest level in over 40 years, retailers and brands face the challenge of keeping costs low while maintaining consumer trust. Some manufacturer brands and retailers have implemented shrinkflation, where the price of a product rises while its quantity decreases. Research has focused on price fairness perceptions, but it has not fully explored how these perceptions affect relationships between consumers and companies in shrinkflation contexts. This research examines the effect of shrinkflation on consumers' intention to punish the manufacturer brand and on trust in the retailer. A qualitative study (interviews with 16 consumers and 4 store managers) and an experimental study reveal an asymmetry in how consumers evaluate these actors. In addition, surprisingly, consumers are less likely to punish the brand in shrinkflation than in inflation or downsizing contexts. Retailers and manufacturers should carefully communicate changes in price and quantity, explaining why shrinkflation was adopted to reduce negative feelings toward manufacturer brands and preserve consumer trust toward the retailer.

Keywords: Retail; shrinkflation; trust; manufacturer brand; ethics

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