Efforts to Curb Inflation Failing

Price increases continue to accelerate. July Fetch Price Index up 13.3%.

Demand plummeting.

Fetch analyzed a panel of 421,770 shoppers, tracking 242 million in-store and e-commerce purchases over the last 24 months. This item-level view of shopper behavior captures, in real time, the true state of inflation and its impact on consumers, brands, and retailers. Fetch Rewards is a mobile app with 17 million active shoppers.
Inflation brings average unit price to $4.53, up from $4.00 the same time last year.

July FPI reports +13.3% increase in shopping prices of consumables* over the last 12 months (Fig. 1), up from +12.5% in June. The Federal Reserve raised rates in July in hopes of curbing inflation, the fourth rate hike since monetary tightening began in March. The July rate hike of 0.75% was the largest since 1994 but was not enough to keep up with the acceleration of annualized consumer prices of 0.80% in the same month. Our expectation is continuing tightening of monetary policy from the Fed until prices stabilize. Price stability is key to providing respite to consumers who are seeing their purchasing power deplete. Below we will explore how price increases are impacting shopper purchase habits.¹

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Consumer demand continues to worsen at -6% YOY.

While prices remain high, consumers are finding themselves no longer able to keep spending more for the same basket of items. Average spend per household (HH) on consumables* is 7.0% higher than July 2021 (Fig.2), though this % YOY change is the lowest increase since January of this year. To offset higher prices, consumers cut back on total units per HH, causing a -6.0% YOY drop (Fig.3), reaching the lowest number of items brought into the household compared to last year. This decline in consumer demand is likely to persist as prices continue to remain high. Consumer purchasing power squeeze will likely have a large impact on the other sectors of the economy with food and essentials taking up a larger portion of household budgets.²

Trips per HH softer for first time this year: +0.5% YOY.

As Units per Trip have plateaued just under 7, the cost of those trips continues to rise given the increase in overall prices. Delayed purchases and managing household cash has run its course. Coupled with high fuel prices the result has been consumers cutting down on trips to help stretch their dollar. For the first time this year, Trips per household was slightly lower than 2021 levels, down -0.5% compared to July of last year. July may signal a watershed in changing consumer behavior.³
Consumer purchase habits shifting.

With increased prices causing less items to be brought into the house, consumers are making tough choices. Demand for discretionary categories like Personal Wash, Hair Care and Ice Cream are more likely to be left on the shelf. Staples on the other hand remain resilient, with categories like Grocery/General Food, Dairy & Eggs, Coffee, Bread and Fruits & Vegetables seeing less impact. The analysis is consistent with the conventional wisdom of recession-proof categories. Beer, Wine & Liquor and Candy & Sweets also remain stable.

Fig. 5 plots key categories against % YOY change in average unit price (vertical axis) and % YOY change in demand (Units per HH, horizontal axis) with absolute average unit price represented as size of the category.\(^4\)

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METHODOLOGY

Year-over-year change in average price and shopper metrics is calculated using Fetch Rewards’ proprietary 24-month user panel ending July 2022. The panel comprised 421,770 users who snapped any receipt for 24 consecutive months (July 2020-July 2022). A continuous shopper panel allows for year-over-year comparison and adjusts for Fetch Rewards’ user growth, reflecting true change in shopper behavior.

Panel users contributed 242 million receipts across the reporting time range, January 2020-July 2022 across food, beverages, household, and personal care categories captured by Fetch. Fetch Rewards is retail agnostic and accepts receipts from 1,000+ national and regional retailers across brick & mortar, click & collect as well as digital/e-commerce.

Data may slightly shift as Fetch’s panel reaches their 14 day scan limit. Any shifts will be minimal, and updated in future reports.

ABOUT FETCH REWARDS

Founded in Madison, WI, Fetch Rewards captures over $125B in annualized retail sales by rewarding 17 million active shoppers every time they submit any receipt through the app. Launched in 2017, Fetch provides shoppers an easy and fun way to save money, and brands a meaningful way to understand the retail world and connect with those shoppers. The resulting data was used to create this report. To learn more, download the free app and visit www.fetchrewards.com.

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