

Pricing in the Pressure Zone

A Retailer's Guide to the New Cost-of-Living Crisis



Executive Summary

Today's challenges sound familiar, but the underlying market conditions are not. Shoppers are more price-aware and selective than they were during peak inflation. Ongoing uncertainty around energy costs, supply chains and tariff exposure means the next cost shift may already be forming.

The result is a pricing environment where small missteps can quickly damage both margin and price perception. The retailers who will be best positioned are those building their response now, before the disruption arrives.

This guide is designed to help retailers prepare before the next shift arrives. It covers:

- **Why this environment is different from 2022.** When inflation peaked, demand held and consumers absorbed price increases. Today, softer demand has raised the stakes.
- **The cost pressures still building on the horizon.** The macro forces that drive shelf-level costs remain volatile and unpredictable. Preparedness matters more than prediction.
- **The pricing traps to avoid.** Which are the most common and costly mistakes retailers make under pressure.
- **The balanced pricing playbook.** Navigating today's cost-of-living crisis requires surgical precision with the right data, the right tools and a clear strategy.
- **Why AI makes the difference.** Getting the strategy right is only half the challenge. Executing it consistently, at speed and at scale, is where AI becomes not just an advantage but a necessity.

If you are preparing for what comes next, this guide provides a practical roadmap for pricing decisions that hold up under uncertainty and support a stronger competitive position.



History Repeats, But Your Pricing Cannot

If today's news headlines leave you with feelings of déjà vu, you are not alone. But while the current cost-of-living crisis may be causing flashbacks to 2022, the pricing strategies that will get you through this time around are not the same.

And let's not forget the unknown challenges that are yet to come. New cost pressures are forming even as the last wave recedes, and no one knows exactly what shape they will take or when they will arrive. That uncertainty is an uncomfortable place for any retailer to be.

This guide will not only help you address the cost pressures of today but also build a pricing strategy that is ready for what comes next, whatever that turns out to be.



A Different Kind of Storm

This is a different kind of challenge than the one retailers faced in 2022. When inflation peaked, demand largely held. Consumers grumbled but kept spending. Today, years of elevated prices have changed how shoppers think and behave. And understanding those consumer behavior differences is key to shaping your approach this time around.

The Squeezed and Skeptical Shopper

There is a term that keeps surfacing in consumer research across markets: inflation fatigue. It describes something retailers are seeing play out in real time. Shoppers who have been stretched for so long that their relationship with price has fundamentally shifted.

This is not just about tighter budgets. It is about trust. After years of watching prices climb on groceries, fuel and household essentials, consumers have become more skeptical and more deliberate. They scrutinize price tags more carefully. They switch brands more readily. They notice when a retailer raises prices.

According to EY research, affordability remains the number one concern for consumers globally.¹ In Europe specifically, consumer confidence scores remain significantly below long-term averages, reaching their lowest levels since the turn of 2023.²

The Demand Shift

Softened demand is the most critical distinction between 2022 and today. When inflation peaked, consumers absorbed higher prices with frustration but kept filling their baskets. Today, shoppers are making more active trade-offs: buying less, buying cheaper or reconsidering purchases altogether.

In Europe, where food inflation peaked above 15% in some markets, volume growth has been muted even as headline inflation has eased.³ In Brazil, where consumers have long navigated economic volatility, price sensitivity has intensified further as real wages struggle to keep pace.

This softer demand environment changes the calculus. Price increases that might have been absorbed in 2022 will now cost you volume. The need for precision is greater than it has ever been.

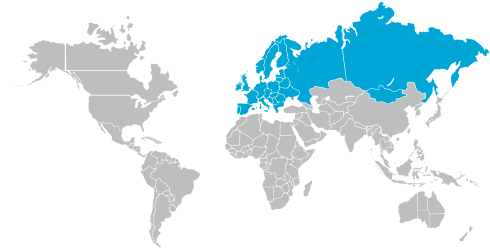
The Private Label Signal

One of the clearest indicators of how consumer behavior has shifted is the global surge in private label. In the US, private label sales hit a record \$271 billion in 2024, growing 3.9% compared to the prior year and outpacing national brand growth.⁴ In Europe, private label has now reached a record 50% unit share across the six biggest grocery markets.⁵

Globally, private label now holds nearly 46% of grocery volume share and is growing at double the rate of national brands.⁶ Shoppers are telling retailers something important through their wallets: national brand loyalty has limits, and those limits have been tested. For retailers, this is both a challenge and an opportunity.

Regional Snapshots

The cost-of-living environment is global, but it is not uniform. Understanding the regional picture matters for any retailer operating across markets.



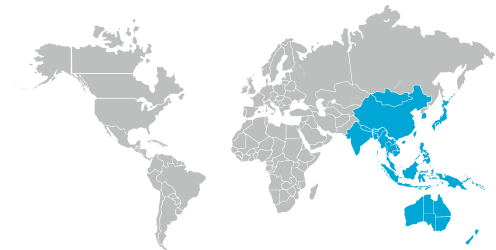
Europe: Consumer confidence remains fragile despite easing headline inflation. Energy costs, while lower than their 2022 peaks, remain structurally higher than pre-crisis levels. Grocery retailers in particular are navigating a market where shoppers have become habituated to discounters and private label.

North America: While inflation has cooled in comparison to peak numbers, housing costs and persistent service-sector inflation continue to squeeze disposable income. Consumers are trading down in grocery and pharmacy while pulling back on discretionary hard goods and home improvement purchases.



Latin America: Markets like Brazil, Mexico and Colombia face a complex mix of currency pressure, food inflation and political uncertainty. Price sensitivity is acute, and consumer trust in pricing is low.

Asia-Pacific: As a diverse region, the picture across APAC is mixed. However, consumer sentiment is largely down and shoppers are becoming more intentional with their spending, prioritizing essentials and value over discretionary purchases.



Middle East: Geopolitical events in the region are impacting multiple sectors and creating uncertainty for consumers as they face unique exposure to energy price volatility and import cost pressure, with food security concerns adding urgency to retail pricing decisions.

Why Macro Risk Is a Shelf-Level Problem

Today's specific threats are familiar: oil price volatility, unresolved tariff exposure and elevated energy costs in key markets. But how they will continue to impact retailers and consumers around the globe is much more unknown.

Will oil prices spike or new tariff policies emerge? Will a geopolitical event no one is currently watching create the next supply chain shock? The honest answer is that no one knows. But what we do know is that any of these forces can translate quickly into cost-of-goods increases, supplier negotiations and shelf-level pricing decisions.

That is why pricing preparedness matters more right now than pricing prediction. Retailers who have structured their data, built scenario plans and put the right tools in place will be able to respond and adapt as more changes come. Those who have not will likely be left scrambling to adjust.

When the only certainty is uncertainty, it is important to know which strategies will leave you best prepared, and which ones will leave you stuck in place.



The Pricing Traps to Avoid

In a high-pressure environment, retailers often fall back on old instincts and familiar practices. In today's market, those same old practices can be costly. Watch out for these 5 pricing pitfalls.



Blanket or Pass-through Price Increases

When costs rise, the temptation can be to simply pass them on to the consumer to protect margins. It's uncomplicated, it's fast, and it's almost always the wrong move. Blanket and pass-through increases ignore the fact that consumers respond very differently to price changes on different items. Raising the price of a high-visibility staple will cost you traffic and trust, while leaving margin on the table elsewhere.



Matching Competitors Without Understanding Your Own Customer

Competitive awareness is essential. But blindly following a competitor's price move is a trap. Your most important competitors may not be who they were three years ago, and not every move requires a response. Consumer behavior shifts have reshuffled the competitive landscape in many markets, and a new competitive analysis may be overdue.



Cutting Promotions Across the Board

Promotions are an easy target when margins are under pressure. But eliminating them indiscriminately is a mistake. The right move is to eliminate ineffective promotions, the ones that drain margin without driving meaningful traffic or volume, and double down on the ones that do. Shoppers in a cost-of-living environment are actively looking for value signals. Promotions, done well, are one of the most powerful tools you have.

**Trap
4****Ignoring Price Perception While Chasing Margin**

Margin maintenance is a legitimate priority. But retailers who pursue it at the expense of price perception often find themselves in a worse position six months later. Price perception is built on high-visibility items. Protecting your image on those items, even if it means accepting lower margins, creates the opportunity to recover margin elsewhere.

**Trap
5****Treating This Like 2022**

Perhaps the most dangerous trap of all. As previously discussed, the conditions have changed. The consumer has changed. A strategy that worked when demand was resilient and consumers were absorbing increases will not work in a market where demand is softer and shoppers are actively trading down. Applying last cycle's playbook to this cycle's challenges is a recipe for underperformance.

**Trap
6****Relying On Gut Instinct**

Merchant-led, instinct-driven pricing decisions have always had limitations. In today's environment, with thousands of SKUs, dozens of markets, multiple channels and an unpredictable consumer base, those limitations are magnified. The volume and velocity of decisions required simply exceeds what any team can manage manually with confidence. Reactive pricing tactics will almost certainly not result in the outcomes you are looking for.

Every one of these traps shares a common root cause: pricing decisions made without the right data, at the wrong level of granularity, across too broad a brush. Recognizing these patterns is half the battle. The other half is building a balanced and strategic pricing approach.

The Balanced Pricing Playbook

The retailers who navigate this environment well are not doing something radically different. They are simply making better, faster and more targeted pricing decisions than their competitors.

Achieving that precarious balance between boosting bottom line and making consumers happy requires extreme precision. Precision can only be attained when every pricing decision is grounded in what your data tells you about consumer behavior, competitive dynamics and margin opportunity across your specific assortment and markets.

Here is how to put that into practice.

Know Your New KVIs

Key Value Items are the products that define your price image in the minds of your shoppers. They are the items consumers remember, compare and use to judge whether you are a good value. Getting KVI pricing right is foundational to everything else.

But here is the challenge: your KVIs have almost certainly changed. The prolonged cost-of-living environment has shifted what consumers buy most frequently, what they compare most carefully and what they are most sensitive to.

Successful retailers reassess their KVIs regularly, not based on gut feel or historical convention, but on actual consumer behavior data. Which items are shoppers buying most? Which are they comparing across retailers? Which price changes drive the biggest behavioral response? The answers to these questions should drive your KVI strategy, and they should be revisited frequently in a fast-moving market.

Rethink Zone and Channel Structures

The cost-of-living environment has not hit every market, every neighborhood or every channel equally. A retailer operating across multiple regions is serving consumers with meaningfully different levels of price sensitivity and different competitive environments.

Zone pricing structures that were built during the peak inflation period may no longer reflect the reality on the ground. The same logic applies to channels. Online shoppers and in-store shoppers often exhibit different price sensitivity, different basket compositions and different responses to promotions. Not to mention, online consumers have easy access to AI tools that can compare prices across retailers in mere seconds.

An intelligent pricing strategy accounts for these geographical and omnichannel differences rather than applying a single approach.



Private Label as a Competitive Weapon

When national brands face cost increases of 20% or 25%, private label becomes a genuine value proposition for the consumer, and a margin opportunity for you.

The key is pricing private label products strategically. The goal is to price at a level that captures trade-down shoppers while protecting the margin advantage that private label offers. That sweet spot varies by category, by market and by the competitive dynamics in each zone.

Even if the price gap between a national brand and your private label is narrower than before, say 5% to 10%, moving customers to owned brands gives you more control over margins when national brands come to you with cost increases. And consumer receptiveness to private label has never been stronger: 56% of shoppers globally say the quality of store brand products has improved over the past year.⁷ Retailers who get this right do not just protect margin. They build a new kind of loyalty.

Promotions: Fewer, Smarter, More Targeted

Promotions are one of the most powerful tools in a retailer's arsenal, and one of the most frequently misused. The data consistently shows that a significant portion of promotional activity is margin-negative. It drives volume on items that would have sold anyway, at a cost that is not recovered in incremental traffic or basket size. Eliminating these ineffective promotions does not just protect margin. It frees up resources to invest in the promotions that actually work.

Those high-performing promotions share a common characteristic: they focus on highly elastic items that consumers genuinely respond to. These are the promotions that drive real traffic, build real value perception and create the kind of shopper experience that generates loyalty in a market where loyalty is scarce.

Scenario Planning: Building Contingencies

One of the most important things a retailer can do right now is prepare for cost scenarios that have not happened yet. Given the geopolitical and macroeconomic environment, more cost shifts are likely on the horizon.

Scenario planning means building out pricing responses for multiple contingencies in advance: a conservative scenario where costs rise modestly, a moderate scenario where oil prices spike and supply chain costs increase meaningfully, and an aggressive scenario where a major disruption drives costs sharply higher.

For each scenario, the questions to answer are: which categories are most exposed? Which KVIs are at risk? Where can we find margin to offset increases? What does our competitive response look like?

One good approach is to make sure your data is structured in a way that allows for quick identification of products by country of origin and supply chain exposure. Create data categories that indicate high and low risk, then build strategies for each contingency. Retailers who have done this work in advance will be able to act in days rather than weeks when the next disruption arrives.

Price with Surgical Precision

Precision pricing is the heart of the balanced approach. It is not about raising prices or lowering them across the board. It is about doing both, strategically, based on what the data tells you.

Applying all the above strategies all at the same time across your full assortment is how you achieve that level of precision. But doing so requires sophisticated and experienced pricing tools that can handle the necessary speed and scale.

Why AI Makes the Difference

The strategies in this playbook are only as powerful as your ability to execute them consistently, across thousands of SKUs, dozens of markets and a consumer base that is changing in real time. That is where AI changes the game.

Beyond Human Judgment Alone

The pricing environment retailers are navigating today is genuinely beyond the capacity of manual, merchant-led decision making. The number of SKUs, the number of markets, the speed of competitive moves and the complexity of consumer behavior have all exceeded what any team can manage with spreadsheets and instinct alone.

This is not a criticism of retail pricing teams. It is a recognition of the scale of the challenge. When costs are changing rapidly, when consumer behavior is shifting and when competitive dynamics are evolving in real time, the volume and velocity of decisions required is simply too great for human judgment to handle with consistency. Retailers that have leaned into AI and machine learning are already seeing the results: according to a Statista report, retailers that leveraged AI or machine learning grew sales by 14.2% from 2023 to 2024.⁸

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Speed as Competitive Armor

In a volatile market, speed is a competitive advantage. Retailers who can analyze a cost change, model the consumer response, evaluate the competitive implications and implement a pricing decision in hours rather than days will consistently outperform those who cannot.

AI pricing optimization platforms are built for exactly this environment. They process signals, including cost changes, competitive moves, demand shifts and elasticity data, at a speed and scale that no human team can match. They surface recommendations that balance price perception, margin and volume simultaneously, across every category, every zone and every channel. In a market defined by uncertainty, that speed can make all the difference.



The Rise of Agentic AI in Retail Pricing

At this point, speed and scale are table stakes. The game changer now is agentic AI.

Traditional AI pricing tools surface recommendations for humans to review and act on. Agentic AI goes further. Rather than a single model producing a single output, agentic systems deploy multiple specialized AI agents that work together, each contributing a distinct capability toward solving a complex pricing challenge.

An agentic system can surface which categories are at risk, identify the specific SKUs driving the exposure, pinpoint the contributing factors, work within your defined guardrails and propose actions, complete with a forward-looking forecast of the financial impact, in seconds rather than hours.

This kind of capability matters enormously in a cost-of-living environment where conditions can shift quickly. When a supplier passes on a cost increase, a competitor makes an unexpected price move, consumer expectations change or a geopolitical event starts rippling through your supply chain, agentic AI gives your team the ability to understand the exposure and respond with precision, faster than was previously possible.

The ROI Case: Low Stakes, High Returns

For retailers who have been managing margin pressure for the past several years, adding a new technology investment to the equation can feel counterintuitive. But the ROI case for AI pricing optimization is one of the more straightforward ones in retail technology, and in a cost-of-living environment, the cost of not acting is increasingly hard to justify.

The data is compelling. Retailers who implement AI-driven pricing consistently achieve 5-10% increases in gross profit, up to 10% revenue growth and 2-5% improvements in margin. And unlike many large-scale enterprise technology projects that require years to deliver value, AI pricing systems can be operational in under six months, with early wins that validate the investment and compound over time. At full maturity, total profit improvements of 8-15% are achievable, among the highest ROI of any technology investment in retail.

Beyond the financial returns, AI pricing builds something equally valuable in an uncertain environment: organizational readiness. A shared, objective view of pricing performance that aligns your pricing, merchandising and marketing teams. The institutional capability to respond faster to cost changes than your competitors. And a pricing strategy that not only helps you navigate the current environment, but positions you to move more intelligently and better serve customers through every disruption that follows.

Be Ready for Whatever Comes Next

The next few years will bring new pressures. They will also bring new opportunities for the retailers who use today's challenges as a forcing function to build smarter, more precise and more resilient pricing.

The tools exist today to price with a level of precision, speed and intelligence that was not available to retailers even five years ago. AI pricing optimization can find hidden margin. Agentic AI can surface opportunities, model scenarios and execute decisions faster than any manual process. The technology has caught up to the complexity of the problem.

And the consumer is also sending a clear signal about what they want: value they can trust, from retailers who understand them. A smart pricing strategy provides the building blocks of a stronger relationship with your shoppers on the other side of this.

Revionics has been in this business for over two decades, helping retailers across grocery, pharmacy, convenience, home improvement and hard goods navigate the full range of pricing challenges the market throws at them. We have been there through inflation cycles, trade disruptions, demand shocks and everything in between, in markets around the world.

Reach out to a Revionics pricing expert today and let's talk about how to help your organization build a pricing strategy that is ready for whatever comes next.

[Talk to a Pricing Expert](#)

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