

Inflation Surge in Home and Garden: Company Actions Taken to Cope

January 2023

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INTRODUCTION

Scope

This is one of three linked reports published Q4 2022 on inflation surge in home and garden

Key findings across the “inflation surge” reports in home and garden

The many layers of global inflation

Commodity impact: Inflationary cost pressure varies with exposure to different materials

Assumptions and calculations driving the home and garden inflation projection tool

COMPANY RESPONSES TO DISRUPTION

2022 home and garden inflation trends to 8% overall, but materials cost pressure drives 14%

Propensity to raise prices has been lower in home and garden versus other sectors

Tools inflation trends to 10% overall in 2022, with residual materials cost pressure driving 19%

That impact in tools is visible in 2022 margin management results for the sector leader SBD

This is linked to reactive measures in SBD to stabilise the ship and recover lost ground

Furniture inflation trends to 10% overall in 2022, with materials cost pressure driving 13%

IKEA had to change its franchise dynamic around price increases to handle these pressures

Excess manufacturing capacity is a recurring theme driving reactions and price increases

Cost cutting was widespread, but many large actions were started back in March 2020

Stealth price increases were visible, but not standard (or very easy) in home and garden

Substantial effort at cost saving is clear (accumulating the pass-through and margin hit rates)

Examples of specific materials scarcity and how it affected categories across home and garden

Stock disruption is not universally easing across home and garden, severe issues continue

Gas price spikes are causing extreme supply disruptions particularly in glass and horticulture

Proportion of companies that engaged local suppliers or increased spend on private label

Reducing exposure to shipping or currency volatility includes embracing more local suppliers

KEY FINDINGS

2023: Falling demand, small growth via price rises, and improved cost pass-through rate

34% of home and garden companies cannot see a supply solution; other sectors are worse off

Deconstructing inflation drivers for home and garden

CONCLUSION AND RECOMMENDATIONS

Painful margin lessons in 2022/2023 must be retained, just as 2020's big lesson was forecasting

Retail sales indicators show a 2022 reset, with gains being lost and power moving to retailers

There is a strong and painful lesson about passing cost through when you have the chance

Defeated by success - the impact of booming versus declining demand on margin missions

Understanding the context for price negotiations has rarely mattered more than it does now

This report looks at company actions; it is one of three lenses for inflation surge in 2022

Scope of the home and garden inflation projection tool and ongoing intentions

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For more information on this report, further enquiries can be directed via this link www.euromonitor.com/inflation-surge-in-home-and-garden-company-actions-taken-to-cope/report.