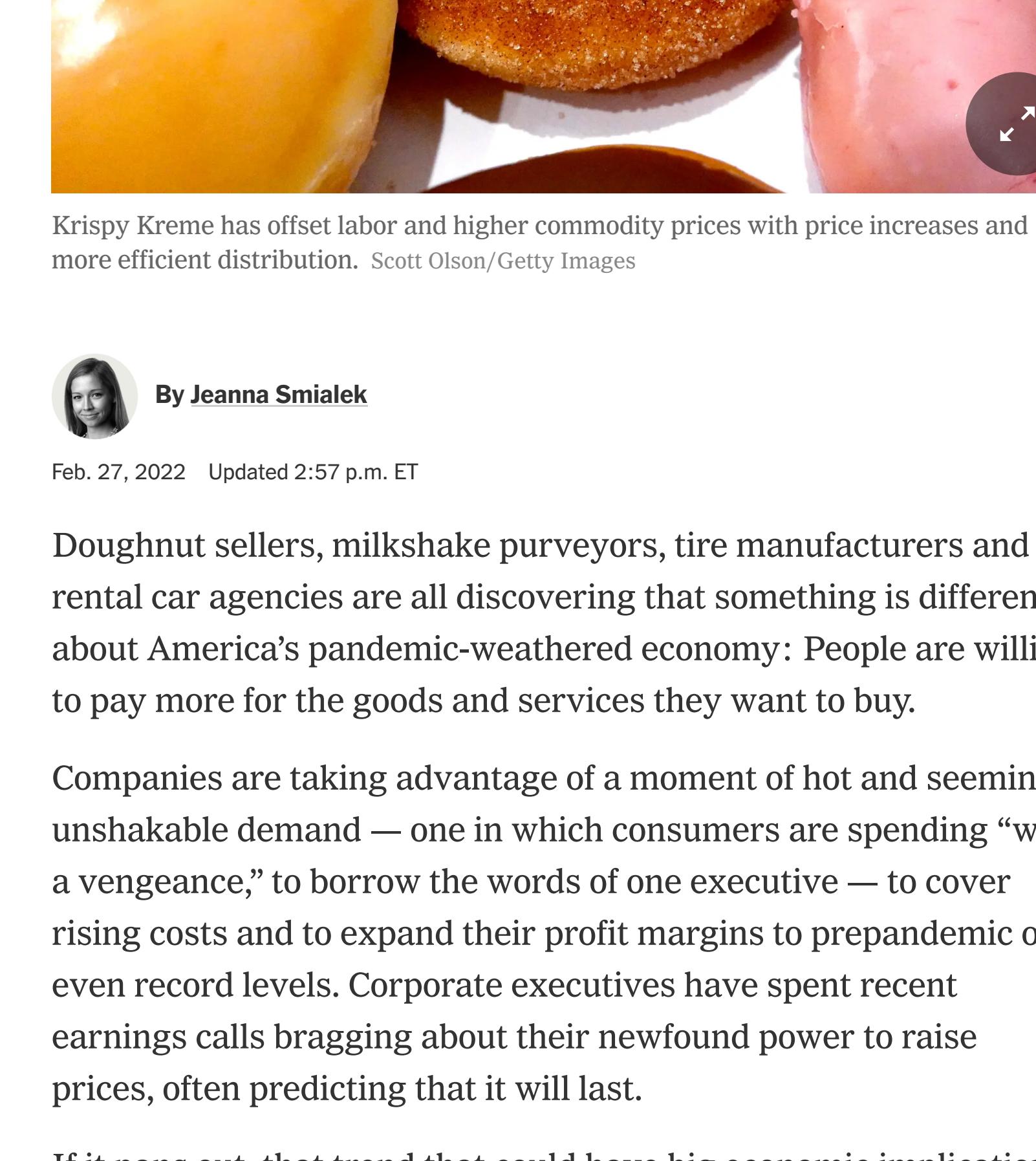


## Corporations Raise Prices as Consumers Spend 'With a Vengeance'

Corporate America is lifting prices and bragging about bigger profits as consumers open their wallets and spend heartily.

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Krispy Kreme has offset labor and higher commodity prices with price increases and more efficient distribution. Scott Olson/Getty Images

By Jeanna Smialek

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Doughnut sellers, milkshake purveyors, tire manufacturers and rental car agencies are all discovering that something is different about America's pandemic-weary economy: People are willing to pay more for the goods and services they want to buy.

Companies are taking advantage of a moment of hot and seemingly unshakable demand — one in which consumers are spending "with a vengeance," to borrow the words of one executive — to cover rising costs and to expand their profit margins to prepandemic or even record levels. Corporate executives have spent recent earnings calls bragging about their newfound power to raise prices, often predicting that it will last.

If it pans out, that trend that could have big economic implications.

Planned corporate price adjustments could continue to boost inflation, which is running at its fastest pace in 40 years. The Federal Reserve is trying to assess whether businesses and households are changing their expectations in a way that might make rapid price gains a more permanent feature of the economic landscape.

A selection of comments from recent earnings calls show just how companies are thinking about this moment.

### Rental Car Costs

Everything related to automobiles seems to be increasing in cost, and rental cars are the vanguard of that trend. Company leaders are trying to make the profitable moment last.

"The overall rent-a-car industry still has more demand than supply," Joe Ferraro, the president and chief executive officer at Avis Budget Group, the rental car company, said on a Feb. 15 [earnings call](#). "Given the current trends, we are cautiously optimistic about what a rebound in demand could mean once Covid is behind us," he added.

The year "2021 showed us what's possible," he said, noting also that he expects the first quarter of 2022 to be the most profitable in the company's history.

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The company has realized, "especially given what we've been through in the last two years," that targeting the most possible rentals — effectively competing by offering lower prices — is "not how you maximize profit," Brian Choi, its chief financial officer, said on the call.

"We choose instead to compete based on the quality of our product and our service," he said.

### Tire Demand

Demand for cars has also bolstered the market for tires.

"It's a really very, very good constructive pricing environment that we've seen right now, probably the best in recent memory," Richard J. Kramer, the chief executive at Goodyear, said on a Feb. 11 [earnings call](#).

The company does look to its competitors as it makes its price increases — but they, too, are charging more.

"There are nine competitors that we tend to track, and seven out of the nine have announced price increases in the first quarter, and one of the ones who hadn't raised prices right at the end of last year," Darren Wells, its chief financial officer, said on the call. Goodyear saw profit margins expand last year, driven in part by [price increases](#).

Mr. Meyer noted that operating inflation was 4.9 percent and labor inflation was 8.9 percent in the final quarter of 2021, but that the company had managed to increase its profits through improving efficiency by simplifying its menu and by cutting food waste.

In 2022, he said, the company expects beef inflation "in the mid-to-high teens" and wage inflation "in the high single-digit range."

### Recovering Profits in Food



As beef and other food costs have increased, so have Shake Shack's menu prices. But officials think consumers will be able to spend through the burger and ice cream inflation as virus risks fade and foot traffic picks up in the cities where its stores are.

#### Inflation F.A.Q.

**What is inflation?** Inflation is a loss of purchasing power over time, meaning your dollar will not go as far tomorrow as it did today. It is typically expressed as the annual change in prices for everyday goods and services such as food, furniture, apparel, transportation and toys.

"We are encouraged by the results of our October price increase and believe our brand has pricing power," Katherine Fogerty, the chief financial officer of Shake Shack, said during a Feb. 17 earnings call. "The extent of inflation this year remains uncertain and we may take additional price later this year to help build back margins."

Shake Shack is already planning another price increase in March, which would push up prices by 6 to 7 percent over about six months, Randy Garutti, the chief executive, said, as the company tries to keep pace with rapid cost inflation.

"This company has a history of a roughly 2 percent price take every year," he said. "For us to be at 7 percent is indicative of the time we're living in. And I think we're more, probably, on the conservative end of that if you look at us against the industry — us against at-home cost of food."

### Pricier Hotel Rooms

Wynn Resorts, whose occupancy in Las Vegas took a hit during the winter surge in coronavirus infections, has seen advance bookings rebound sharply — and it believes it has the power to charge vacationers higher prices.

"We believe we have strong pricing power on rooms, food and beverage, and nightlife during 2022," Craig Billings, the chief executive, said on a [Feb. 15 earnings call](#).

That comes after a strong quarter for the company's Las Vegas locations, one driven by rapid consumer demand.

"To us, the quarter's results are a further indication of the fact that our unrelenting focus on service and great product are resonating with premium customers who, after being cooped up for 2020 and the first part of 2021, are traveling and spending again with a vengeance," Mr. Billings said.

### Sweet Treats, Sweet Profits

Another product claiming pricing power? Doughnuts.

The end of 2021 showed that "fresh premium sweet treat business like ourselves — we can manage that inflationary environment that you referenced with price increases," Josh Charlesworth, the chief operating officer at Krispy Kreme, said in a [Feb. 22 earnings call](#).

"We effectively ended the year with double-digit price increase for the year in the U.S., high single-digit across the world," he added.

Mr. Charlesworth said the company expected to expand profits in 2022.

"The guidance we've given here today does assume that we're able to manage, both from that price increase — and if we so choose, if needed, further price increases — to still grow our margins in 2022," he said, noting that labor cost inflation was expected to hover in the "high single-digit" range and that the company had already locked in key ingredients like sugar and oil for the year.

Jeanna Smialek writes about the Federal Reserve and the economy for The New York Times. She previously covered economics at Bloomberg News. [@jeannasmialek](#)

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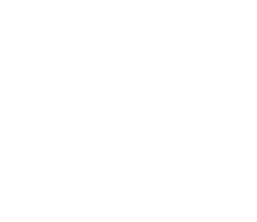
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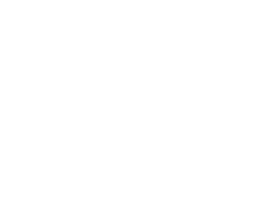
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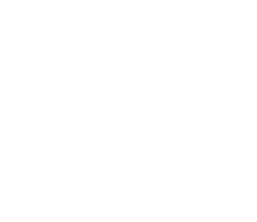
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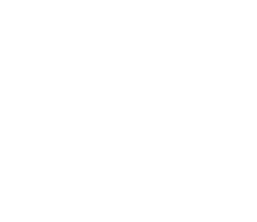
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