

FORTUNE

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Yes, companies can stay profitable without raising prices — here's how

Sir Isaac Newton's "Law of Gravitation" states that whatever goes up must come down. Obviously, Sir Isaac has not been to the grocery store lately.

Prices are climbing well above the official inflation rate — and not always for the reasons companies claim. The real question isn't *why* prices are rising. It's whether they have to at all.

Prices Are Rising Fast — and Not Just Because of Inflation

While the official inflation rate sat at approximately 2.4% to 2.7% in early 2026, businesses across sectors have implemented price hikes in the high single digits or even double digits. The Adobe Digital Price Index recorded its largest monthly online price increase in a dozen years in January, driven by electronics, appliances, and furniture.

Specific examples tell the story:

- **Video streaming subscriptions** jumped 30% year-over-year
- **Dell and HP** confirmed PC price increases of 15%–20%, citing memory chip shortages
- **Beef prices** rose by double digits; instant coffee surged 24%
- **Dining out** climbed 4.6%, with health care, insurance, and electricity also spiking

More than half of small business leaders surveyed by Vistage Worldwide in December said they planned further price increases within three months.

"Greedflation" Is Real — and Hotly Debated

The key factors driving this trend include "tariff pass-throughs". Companies like [Levi Strauss](#) and [McCormick & Co.](#) have cited new import tariffs as a primary reason for increasing prices by amounts that exceed the general inflation rate. Another is rising operational costs. Significant jumps in health insurance premiums (up to 14%) and labor costs have pushed businesses to raise their own rates to maintain margins. Then there are corporate profit margins. A 2024 [FTC report](#) found that some grocery retailers used rising costs as an opportunity to further hike prices and increase profits, with revenues outpacing costs by more than 6% to 7% in recent years.

Whether corporations are responsible for "greedflation"—defined as firms using the cover of inflation to hike prices and expand profit margins beyond what is necessary to cover higher costs—is a subject of intense debate among economists, politicians, and researchers, with evidence suggesting a significant role in certain sectors but dispute over its overall impact on inflation. macroeconomic policy that had led spending to explode, forcing up all prices in the medium-term.

Inarguably, certain categories such as food (especially dining out), electricity, natural gas and shelter have increased above the average Consumer Price Index (CPI) over the last twelve months. One must add to that the phenomenon of “frequency of exposure” from behavioral economics whereby consumers are highly sensitive to price changes in frequently purchased items (bananas) but less attuned to price adjustments in infrequent, high-cost, or financed purchases (cars).

Companies That Are Beating Inflation Without Raising Prices

Whatever the case, the larger question is: Can a company remain profitable today without raising prices? In many cases, the answer is yes — and the playbook is well-established:

Operations efficiency. Food and CPG manufacturers are lowering ingredient, manufacturing, and logistics costs through better sourcing and process improvements, absorbing inflation without passing it to consumers.

Supply chain optimization. Tight inventory management and better demand forecasting free up margin without sacrificing quality.

Data-driven promotions. Retailers and brands are using analytics and AI to fine-tune discounts and channel strategies rather than implementing across-the-board price hikes.

Product and packaging innovation. Lush, the British cosmetics retailer, introduced solid shampoos and conditioners that are more compact, reduce packaging costs, and deliver more uses per unit than liquid equivalents — boosting perceived value while supporting premium positioning and sustainability credentials.

Other standout examples include IKEA, Aldi, Honda, Toyota, Mint Mobile, Lands' End, and Patagonia — firms that have built durable customer loyalty by prioritizing value over margin extraction. As Benjamin Franklin put it: *"The bitterness of poor quality remains long after the sweetness of low price is forgotten."*

The Real Variable Is Leadership

While corporations are generally profit-maximizers, evidence suggests that in the post-pandemic, high-inflation environment, some corporations with high market power engaged in opportunistic pricing, contributing to higher and more persistent inflation than would have occurred otherwise. That is human nature; and now with conflict in the Middle East there will be companies that see this unfortunate development as yet another reason to jack up prices.

The above examples clearly illustrate that corporations can, indeed, enhance profitability without hiking prices and all the while maintaining and even boosting quality. How companies respond does not depend upon U.S. fiscal and monetary policy but on corporate leadership. It's up to corporations alone to do the right thing, for their customers and shareholders.

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