KILL DULL™ INDEPENDENT MARKETING JUDGMENT

PUBLISHED READING NO. 08

SPROUTS FARMERS MARKET

WAS SPROUTS RIGHT TO CUT PRICES TO WIN BACK TRAFFIC?

A margin bet on returning shoppers.
Margin spent to win shoppers back.

SUBJECT	JUDGED ACROSS	AS OF	STATUS
SPROUTS FARMERS MARKET	4 PS · 12 STANDARDS · 3 LENSES	17 NOVEMBER 2026	SIGNED · ISSUED

THE JUDGMENT

AAH.

The commitment deserves to be made.

THE DECISION

On 28 October 2026 Sprouts said yes to lower prices and lower margins: price cuts on healthy holiday staples straight away, a rebuilt national pricing strategy from January 2027, and about 90 basis points of fourth-quarter gross margin given up to pay for it.

WHAT CARRIED THE MOST WEIGHT

Sprouts had a real traffic problem: comparable sales fell for a third quarter in a row, and earlier price investments had improved individual categories without bringing shoppers back. It changed course rather than defend what was not working, and it committed to adjust the scale and pace of the investment as customers respond.

The cuts make a differentiated, health-led offer easier to choose without turning Sprouts into a discounter. The cost is real: full-year operating profit guidance fell from $675–685 million to about $605 million.

THE FOUR Ps

PRODUCT	The range barely changes. Sprouts Brand carries the entry prices.
PRICE	Where the decision starts: lower prices on staples and high-frequency items. Margin is spent now, for traffic that has not yet responded.
PLACE	Barely affected. The rollout is national and store-based.
PROMOTION	Affordability becomes the January message; the holiday cuts act as a test. Sprouts has to sound more affordable without sounding like a discounter.

WHAT WE DON'T KNOW

Price may not be the main cause of the weakness. Neither the size of the cuts nor what Sprouts' pricing tests showed has been published, and the evidence runs only three weeks past the decision.

WHAT WOULD CHANGE OUR MIND

- The size and breadth of the cuts, and the test evidence behind them.
- Q4 2026 and Q1 2027 traffic and comparable sales.

SIGNATURE



Peter Buck

FOUNDER & CEO, KILL DULL

DATE OF JUDGMENT

23 November 2026

The full examination follows.

4 PS · 12 STANDARDS · 3 LENSES · P. 9

BEFORE YOU READ

What you're reading.

A Published Reading

A Published Reading is Kill Dull's judgment of a marketing decision a company has already made, out in the world. It is built from the public record alone: what the company has said, what it has done, and what independent sources have measured. Every source is listed.

The decision goes through the full interrogation: its consequences across the four Ps, twelve Standards, three lenses, the strongest case on each side, and what we don't know. AI researches and argues both sides. Every finding and the verdict are human judgments. Then it is published, so the judgment is on the record for anyone to read and challenge.

This Reading was made without a word from Sprouts Farmers Market.

How much deeper a Private Reading goes

A Published Reading only sees what a company chose to show. A Private Reading starts from the inside, before the decision is made.

You make the case: the commitment, why you believe in it, and the evidence that matters, including the research, numbers and plans no outsider sees. We interview the people closest to the decision. If something material is missing, we ask. Every Standard is then tested against your evidence, not against assumptions from the outside.

You receive more than a verdict. You receive the reasoning: what the evidence supports, what it doesn't, what remains uncertain, where the judges agree and where they don't. Signed, confidential, and yours, while there is still time to change course.

HOW THE INTERROGATION WORKS

Every commitment puts different things at stake. We follow the consequences through twelve lines of inquiry, each applied once, across the four Ps. Not every Standard matters equally every time. That's why judgment matters.

THIS READING

THE BET	Cutting staple prices now wins back traffic before the January national rollout.
THE RISK	Margin falls about 90 basis points in Q4, and traffic may not respond if the weakness is not about price.
WHERE IT STARTS	In Price. Its consequences reach Promotion.
JUDGED	As a decision made on 28 October 2026, as of 17 November 2026.

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ONE DECISION.
FOUR Ps.
TWELVE STANDARDS.
THREE LENSES.
ONE VERDICT.



01 · THE CASE

The price of winning shoppers back.

THE DECISION

On 28 October 2026, on its Q3 call, Sprouts said it would cut prices on healthy holiday staples immediately and roll out a rebuilt pricing strategy nationally in January 2027. It guided to about 90 basis points of gross margin deleverage in Q4 from affordability investment. Management called the holiday cuts a test phase for the national rollout.

The context

Sprouts had 504 stores in 25 states at the end of Q3, on 27 September 2026. Comparable sales had been negative for three quarters, and Q3 missed the company's own guide of -0.5% to +1.5%. Q2 affordability tests gave mixed results. Nick Konat, who presented the plan, becomes CEO on 4 January 2027.

Where it starts

The decision starts in Price: the cut itself, and the margin it spends. It reaches Promotion, because management tied the January rollout to its Q1 marketing story.

Competing explanations

Management's reason: its pricing had not met its goal, and traffic was not recovering. RBC read the weakness as company-specific, which suits a price answer. BofA tied it to consumer conditions and a cyclospora outbreak, in which case price may buy less. Timing is a third reason: January is when Sprouts is most top of mind for healthy eating.

THE COMPANY

2019	Jack Sinclair becomes CEO
Mar 2022	Nick Konat becomes president and COO
2026	Mixed price tests in July; price cuts pledged on 28 Oct
Jan 2027	Konat becomes CEO; national rollout due

THE WORLD AROUND IT

2026	Third negative comp quarter; shares fell 19–23% on 29 Oct
2027	January rollout and Q4 results still to come

02 · THE FOUR Ps

One decision. Four places it lands.

The decision starts in Price and reaches Promotion, because management tied the January rollout to its Q1 marketing story. Product and Place change little.

26% PRODUCT

Sprouts Brand share of sales, mid-2026 (company)

CONSEQUENCE

The range barely changes. Sprouts Brand carries the entry prices.

EVIDENCE

The plan puts lower entry-point prices on everyday staples, with a focus on Sprouts Brand, and invests in health-choice items such as organic grass-fed beef. Konat gave wellness bowls and $29.99 family meals for four as examples. The next step in self-distribution would include some Sprouts Brand products.

TENSION

A value offer has to sit inside a differentiated range.

UNKNOWN

Which items and how many are in the cut.

≈90bp PRICE

Q4 2026 gross margin deleverage from affordability investment (company guidance)

CONSEQUENCE

Lower prices on staples and high-frequency items. Margin falls by design.

EVIDENCE

Sharper prices are planned on items such as produce. Q4 guidance also carries about 170bp of SG&A deleverage. Full-year EBIT guidance fell from $675–685m to about $605m. The size of the cuts and the savings has not been announced.

TENSION

Margin is spent now for traffic that has not yet responded.

UNKNOWN

Depth, breadth and cost of the cuts.

504 PLACE

Stores in 25 states at 27 September 2026, end of Q3; 42 net new planned for 2026 (company)

CONSEQUENCE

Barely affected. The rollout is national and store-based.

EVIDENCE

The rebuilt pricing goes out nationally in January. Net sales rose 5% in Q3 while comparable sales fell 0.9%, and 42 net new stores were planned for 2026.

TENSION

Sales growth and store traffic point different ways.

UNKNOWN

How the rollout will be phased across stores.

Q1 PROMOTION

Pricing to be part of the Q1 go-to-market and marketing story (management)

CONSEQUENCE

Affordability becomes the January message. Holiday cuts act as a test.

EVIDENCE

Management called the holiday cuts a test phase for the January rollout. It said the rebuilt strategy would roll out when Sprouts is most top of mind for healthy solutions. Konat described a reset of value within a differentiated offer, not broad-based discounting.

TENSION

Sound more affordable without sounding like a discounter.

UNKNOWN

What the campaign will say and how shoppers read it.

The four Ps cannot yet show whether shoppers noticed or responded to the cuts. The size of the cuts, the test results and any Q4 result are not public.

03 · THE INTERROGATION

Twelve Standards. Every side argued.

Each Standard ends in an interim finding, not a verdict; the findings inform one judgment and are never added up.



STANDARD 01 OF 12

Relevance

Does this matter to the people we need to matter to?

HERE

Does lower price matter to the shoppers Sprouts needs back?

EVIDENCE

The CFO said traffic, units and frequency were not recovering, even against easier comparisons. Investing.com reported Q3 transactions down 3.3%. The cuts aim at everyday staples and high-frequency items such as produce.

What we don't know

No shopper research or price-perception data was found. The cause of the traffic fall is disputed.

The case for

Management said its pricing had not met its goal, and the cuts sit on the items shoppers buy most often, where price is seen most.

The case against

Q2 affordability tests gave mixed results, with traffic slow to respond. BofA tied weak comps to consumer conditions and a cyclospora outbreak, so price may not be what lapsed shoppers are reacting to.

INTERIM FINDING **AAH.** Affordability addresses a credible barrier to recovering customer visits.

STANDARD 02 OF 12

Distinctiveness

Does this make the company easier to recognize or easier to replace?

HERE

Does leading with price make Sprouts easier to recognise, or easier to replace?

EVIDENCE

The cuts centre on Sprouts Brand and health-led items such as organic grass-fed beef. Konat called the plan a reset within a differentiated offer. Management did not quantify a price gap to rivals.

What we don't know

How Sprouts' prices compare with rivals' and how rivals will respond.

The case for

The range that sets Sprouts apart stays in place, and the own brand, about 26% of sales, carries the value message.

The case against

Price is the easiest move for rivals to match. Roth and RBC cited rising competition, and with no stated price gap the size of any lead is unknown.

INTERIM FINDING **AAH.**

The differentiated offer survives, provided price does not become the primary reason to choose Sprouts.

STANDARD 03 OF 12

Value

Does this build perceived value or spend it?

HERE

Does cutting staple prices build perceived value, or spend margin Sprouts needs?

EVIDENCE

Before the decision, Q3 net sales were $2.3bn, up 5%, comps were -0.9% and gross margin was 38.2%, down 50 basis points, which reporting linked to shrink and fuel. The Q4 guide includes about 90 basis points of gross margin deleverage from affordability. Full-year EBIT guidance fell from $675–685m to about $605m. So far the record shows margin spent and no return yet.

What we don't know

The figures are company-wide, not the economics of the items cut. How the EBIT cut divides between price, shrink, fuel and SG&A is not disclosed.

The case for

Management said the 5% EBIT margin level leaves room to assess the investments. Targeted items such as $29.99 family meals can raise perceived value without cutting everything.

The case against

The guidance cut is large. RBC allowed for about 150 basis points of margin decline in 2027, and BofA flagged risk to basket size from the price investments.

INTERIM FINDING **HMM.**

A deliberate margin investment can create greater customer value, but the financial return is unproven.

STANDARD 04 OF 12

Credibility

Will people believe this from us?

HERE

Do shoppers and investors believe a price reset from Sprouts after three negative quarters?

EVIDENCE

Management said openly that its pricing had not achieved its goal, and the 10-Q repeats the plan for broader, deeper price investment. Q3 comps missed the company's own guide. In July it held its outlook despite mixed tests. Asked about testing on the Q3 call, management said earlier price investments had improved performance within the categories tested but had not recovered enough overall store traffic. The test results themselves were not published.

The case for

An admission that costs guidance can aid belief. The plan appears in the 10-Q as well as on the call.

The case against

A recent miss against its own guide, an outlook held in July despite mixed tests, and no published test data. On management's own account, the tests lifted individual categories but did not bring back enough store traffic.

What we don't know

Shopper belief was not measured. Analyst and market reaction is mixed with the Q3 miss.

INTERIM FINDING **AAH.**

Management acknowledged the problem and learned from earlier tests. That strengthens its case.

STANDARD 05 OF 12

Delivery

Can we deliver what this decision asks people to believe?

HERE

Can Sprouts fund lower prices from its own offsets without losing the margin?

EVIDENCE

Q3 gross margin fell 50 basis points on shrink and fuel, partly offset by self-distribution. Q4 guidance carries about 90 basis points of margin deleverage from affordability and 170 from SG&A. The full-year guide assumes more than $300m of buybacks, with $299m done through Q3; buybacks affect results per share, not operating margin. The cost offsets are named but not valued.

What we don't know

What each offset is worth, and whether Q4 is the low point for margin. Execution of the rollout cannot yet be seen.

The case for

Self-distribution already offset part of Q3 pressure, and management named further cost offsets. Separately, it said pricing comes before aggressive buybacks near term: a choice about the use of cash, not an offset to the margin cost.

The case against

SG&A deleverage adds to the pressure. The offsets are unquantified, and the national rollout coincides with the CEO handover on 4 January 2027.

INTERIM FINDING

HMM.

The business has financial and operational flexibility, although expected cost offsets remain unquantified.



STANDARD 06 OF 12

Coherence

Does this make the company add up better?

HERE

Do the cuts, own brand and self-distribution add up, and does “broader and deeper” fit “not broad-based discounting”?

EVIDENCE

The pieces point one way: Sprouts Brand entry prices, self-distribution of some Sprouts Brand products, a Q1 marketing story and buybacks held back. The 10-Q speaks of broader and deeper price investment. Konat said the plan is not broad-based discounting. Net sales rose 5% while comps fell 0.9%, with 42 net new stores planned.

The case for

Each part reinforces the others, and holiday cuts feed the January rollout.

The case against

The two descriptions of the cuts sit awkwardly. Sales growth and store traffic point different ways, so a price reset aimed at traffic addresses only part of the picture.

What we don’t know

Without the size of the cuts, the two descriptions cannot be tested. How far openings, not comps, carry the economics is not separated in the record.

INTERIM FINDING **AAH.**

Pricing, own brand, supply chain and marketing reinforce the same customer proposition.

STANDARD 07 OF 12

Ownership

What about this can genuinely become ours?

HERE

Can affordability become Sprouts' own, and not just a price anyone can match?

EVIDENCE

Sprouts Brand, self-distribution, loyalty data and retail media are named in the plan. The size of the cuts is unpublished. Roth and RBC cited rising competition.

What we don't know

No brand-perception or own-brand sales data after the decision. The strength of the in-house assets is not measured.

The case for

A value story told through its own brand is harder to copy than a price match, and the supporting assets are in-house.

The case against

A price cut can be copied. Nothing shows shoppers link affordability to Sprouts rather than to rivals.

INTERIM FINDING **AAH.** Sprouts cannot own lower prices. It can own more accessible, differentiated healthy eating.



STANDARD 08 OF 12

Identity

Does this make the company more itself or less itself?

HERE

Does healthy food within reach make Sprouts more itself, or blur a premium, specialist grocer?

EVIDENCE

Investment goes into health-led items such as organic grass-fed beef and produce. Konat framed it as more value within the differentiated offer. Pricing becomes part of the Q1 marketing story.

What we don't know

Whether shoppers read this as sharper value or a retreat from premium. The case rests on management framing and inference.

The case for

Healthy food within reach extends the existing promise and widens its appeal without dropping the offer.

The case against

Deeper cuts could blur a premium position, train shoppers to expect lower prices and invite comparison with lower-priced grocers.

INTERIM FINDING **AAH.**

Making healthy food more affordable can make Sprouts more itself, not less.

STANDARD 09 OF 12

Precedent

What will this yes make easier to say yes to next?

HERE

Do a holiday test and a stated margin level make the next price cut easier or harder to approve?

EVIDENCE

The holiday cuts are a test before the national rollout. Management said the 5% EBIT margin level creates room to assess the investments and that self-help levers give options to go further. The 10-Q expects to increase and accelerate affordability investment into fiscal 2027.

What we don't know

No later decisions exist yet. Precedent here is inferred from management's wording and the 10-Q.

The case for

Testing before rolling out sets a method of learning first, and the stated margin level gives a reference point.

The case against

Each step can make the next cut easier to approve, and options to go further invite more margin spend.

INTERIM FINDING **AAH.**

Testing and adapting establishes a constructive precedent. Repeated unconditional discounting would not.



STANDARD 10 OF 12

Compounding

What happens if we keep doing this?

HERE

If Sprouts keeps investing in price, does traffic build faster than margin cost?

EVIDENCE

Q4 is guided at comps of -2% to -4% and EPS of $0.47–$0.51, with about 90 basis points of margin deleverage from affordability. The 10-Q expects the investment to continue into fiscal 2027. Self-distribution partly offset Q3 margin pressure. No traffic gain from the cuts is shown yet.

What we don't know

No post-Q4 data. Analyst 2027 figures are their own models, not guidance, and the record cannot say how much of any later margin change is price.

The case for

If traffic returns, more transactions could spread fixed costs, and own-brand mix and self-distribution gains could build alongside lower shelf prices.

The case against

The margin cost repeats each year the investment continues. RBC allowed for about 150 basis points of margin decline in 2027.

INTERIM FINDING

HMM.

Recovered shopping frequency could compound preference. Persistent margin erosion without traffic recovery would destroy value.



STANDARD 11 OF 12

Alignment

What else has to move for this to work?

HERE

What else must move in January for the pricing reset to work?

EVIDENCE

Konat presented the plan and becomes CEO on 4 January 2027. The 10-Q plans technology and supply chain investment alongside price. Vendor partnerships are among the named offsets. Marketing is scheduled for Q1.

What we don't know

Internal readiness, vendor response and store preparation are not visible in public sources.

The case for

One owner carries the plan through, and the supporting investment is planned alongside it.

The case against

Stores, vendors, supply chain, marketing and pricing systems must all move together while Sinclair becomes executive chairman.

INTERIM FINDING **AAH.** Leadership and supporting functions have a coherent direction, although execution risk remains.

STANDARD 12 OF 12

Stewardship

What must we protect while we change?

HERE

What must Sprouts protect while it cuts price: margin model, buyback capacity, investor confidence?

EVIDENCE

Management said the 5% EBIT margin level gives room, called the plan not broad discounting and is testing first. Shares fell about 19% to 23% on 29 October, and brokers cut targets. $537m remained on the $1bn buyback authorisation, with pricing to come first near term.

What we don't know

The share fall mixes the Q3 miss, the Q4 guide and the pricing plan. Effects on staff, suppliers and store standards were not covered.

The case for

The steps aim to protect margin and range: a test phase, a stated margin level and no broad discounting.

The case against

Investor confidence is already affected, and buyback capacity and the profit model are traded against price.

INTERIM FINDING **HMM.**

The decision protects customer relevance while putting profitability at risk. Both must remain visible.

04 · THE THREE LENSES

Human Nature. Conditions. Time.

The twelve Standards judge the decision. Three lenses then test whether that judgment will hold: with people, in the world around them, and over time.

PEOPLE, AND THE WORLD AROUND THEM

Evidence can tell us what people did.
It can't guarantee what people will do next.
The world moves too.



LENS

Human Nature

What will people actually notice, want, believe, remember, resist or choose?

HERE

Will shoppers notice, remember and act on cheaper staples and a $29.99 family meal?

REMOVING FRICTION

Sometimes removing friction creates value. Lower entry prices on items bought often could remove the doubt about whether Sprouts is affordable. A $29.99 family meal is simple to grasp. This is argument, not finding: no shopper response to the holiday cuts has been found.

THE FRICTION IS THE VALUE

Sometimes the friction is the value. Part of what shoppers pay for at Sprouts may be its differentiated, health-led offer. If so, deeper cuts could weaken that offer in shoppers' eyes. Management says the plan is not broad-based discounting. The record does not show which way shoppers read it.

LENS · HUMAN NATURE

EVIDENCE

The plan targets items bought often, such as produce and entry staples, and value items such as family meals. January is when Sprouts is most top of mind for healthy eating. In Q2 tests, traffic responded more slowly than expected.

What we don't know

No behavioural data on the holiday cuts exists yet. Statements about shopper psychology are inference.

The case for

Price impressions form from frequent purchases, and such items are easy to notice and remember.

The case against

Habits and price perception change slowly. Roth cited uncertainty over consumer response, and shoppers may need to see change before returning.

INTERIM FINDING

HMM.

Frequently purchased items can change price perception, but established shopping habits are difficult to reverse.

LENS

Conditions

The world moves too. Culture, economics, technology, politics, the planet.

HERE

What could change what a price reset means: weaker shoppers, fuel, outbreaks, new technology or rules?

CULTURE

What could change what this decision means? Culture: whether shoppers read affordability from a health-led grocer as sharper value or a step back from premium. Management points to January, when Sprouts is most top of mind for healthy eating.

TECHNOLOGY

What could technology change about this decision? Technology: retail media, loyalty data and self-distribution are named as offsets, and the 10-Q plans technology and supply chain investment. How much they save is not stated.

PLANET

What could the physical world change about this decision? The planet: a cyclospora outbreak, put at about 0.6 points of the comp decline by Investing.com, and higher fuel costs pressed Q3 results. How long such effects last is unknown.

ECONOMICS

What changes when people feel richer or poorer? Economics: if shoppers feel poorer, price counts for more. BofA cited difficult consumer conditions. If the weakness is cyclical, the cuts may cost margin and win little traffic.

POLITICS

What could politics or policy change? Politics or policy: the record contains no evidence on policy or regulation bearing on this decision.

LENS · CONDITIONS

EVIDENCE

BofA tied weak Q3 comps to consumer conditions and cyclospora disruption. Investing.com put the outbreak at about 0.6 points of the comp decline. Fuel costs pressed Q3 margin. Retail media, loyalty data and self-distribution are named offsets.

What we don't know

No evidence on policy or regulation was found. How much of the traffic fall the outbreak explains is unknown.

The case for

Squeezed shoppers raise the value of lower prices. Fading outbreak effects would ease the traffic drag, and technology could help fund the cuts.

The case against

If the weakness is cyclical, cuts may cost margin for little traffic. Fuel and shrink may keep pressing margin.

INTERIM FINDING

HMM.

Economic pressure and the outbreak materially complicate the diagnosis. Price is not the only possible cause.

OVER TIME

Some consequences take longer to show themselves.
Years. Sometimes decades.



LENS

Time

What strengthens, erodes and compounds? How far can it change? What does it make possible next?

HERE

Does the margin cost arrive before the traffic gain, and does the CEO change mid-plan?

STRENGTHENS

What strengthens? Easier comparisons began late in Q3, January suits a health message, and the holiday test gives data before the national rollout.

ERODES

What erodes? Margin comes first: Q4 carries about 90 basis points of margin hit, comps of -2% to -4% and a lower full-year EBIT guide. Investor confidence has already moved.

COMPOUNDS

What compounds? Either traffic gains and own-brand and self-distribution benefits build, or the margin cost repeats into fiscal 2027. The record cannot say which.

HOW FAR

How far can the company change without becoming less itself? Konat calls the plan a reset within the differentiated offer. The 10-Q speaks of broader and deeper cuts. Where the line sits is not shown.

WHAT NEXT

What does this decision make possible next? Self-distribution of some Sprouts Brand products, and, if the 5% EBIT margin level allows, going further with self-help levers.

LENS · TIME

EVIDENCE

Easier comparisons began late in Q3. Q4 carries about 90 basis points of margin hit and comps of -2% to -4%. Konat takes over as CEO on 4 January 2027. As of 17 November 2026 there is no Q4 result or shopper response.

What we don't know

The decision is under three weeks old. Outcomes so far are market and analyst reactions only.

The case for

January suits a health message, and the holiday test gives data before the national rollout. Any gain would build over the quarters after launch.

The case against

Cost comes first, benefit later, and leadership changes mid-plan.

INTERIM FINDING **AAH.**

Costs arrive before benefits. The ability to adjust investment makes the commitment more defensible.

Dull rarely happens all at once. Neither does density.

05 · THE JUDGMENT

What carried the most weight.

01

What carried the most weight

Sprouts had a genuine traffic problem. Earlier pricing tests showed improvement within individual categories but insufficient overall store traffic recovery. Management responded by changing its approach rather than defending an underperforming strategy. The decision addresses a credible barrier to customer choice while retaining Sprouts' differentiated, health-led proposition. The decisive factor is that management committed to evaluating customer response and adjusting the scale and pace of investment. The decision carries real financial risk, but it is not an unconditional commitment to discounting regardless of results.

02

The strongest case for

Sprouts cannot allow declining customer visits to become normal. Targeted affordability investment can make its distinctive healthy-food proposition more accessible, restore shopping frequency and strengthen customer preference. Inaction carries its own cost.

03

Why the case for prevails

The strategy addresses a genuine commercial weakness through a lever consistent with Sprouts' identity. Management has demonstrated a willingness to test, learn and adapt. The financial exposure is substantial but does not invalidate the quality of the original decision.

The strongest case against

Is price the wrong lever if the weakness is not about price?

Price may not be the principal cause of declining traffic. Earlier tests failed to generate sufficient storewide response. Consumer conditions and the cyclospora outbreak complicate the diagnosis. Lower prices could permanently reduce margins without attracting enough additional customers. The evidence only partly meets this. The CFO said traffic was not recovering even against easier comparisons, and RBC and other analysts saw the weakness as largely company-specific, which favours a price answer. But Investing.com put the outbreak's effect at about 0.6 points, material against comparable sales of -0.9%, and how much of the decline is price is not shown. The record cannot settle the cause.

What AAH, HMM and DULL mean

AAH.

The commitment deserves to be made.

HMM.

Something consequential remains unresolved.

DULL.

The commitment does not deserve to be made in its present form.

What we know, what we infer, what is open

ESTABLISHED

On 28 October 2026 Sprouts said it would cut prices on healthy holiday staples now and roll out a rebuilt national pricing strategy in January 2027.

Q3 net sales were $2.3bn, up 5%. Comps were -0.9%, the third negative quarter in a row, and below the company's own guide. EPS was $1.21 against $1.22.

Q3 gross margin was 38.2%, down 50 basis points, which reporting linked to shrink and fuel.

Q4 guidance: comps -2% to -4%, EPS $0.47–$0.51, about 90 basis points of gross margin deleverage from affordability and about 170 from SG&A.

Full-year EBIT guidance fell from $675–685m to about $605m, and EPS from $5.32–5.40 to about $4.80.

The 10-Q expects broader and deeper price investment in Q4 2026 and fiscal 2027.

Shares fell about 19% to 23% on 29 October. BofA and RBC downgraded.

The size of the cuts and the test results were not published.

REASONABLE INFERENCE

Price is the main element of the decision, with Promotion second.

The commitment answered a real traffic problem and, by management’s own account of its tests, an insufficient first response.

The national rollout is conditional: its scale and pace can be adjusted as customer response comes in.

The share fall cannot be assigned to the pricing decision alone.

UNRESOLVED

How large the cuts are, in percentage and number of items.

What the pricing tests showed, in figures, on traffic, basket size and profit.

How Sprouts' prices compare with rivals' and how rivals respond.

How much of the Q4 and 2027 margin hit is price, and how much shrink, fuel and labour.

How shoppers responded to the holiday cuts.

Whether the weakness is company-specific or cyclical.

Q4 2026 and Q1 2027 results.

Fifteen interim findings

01	Relevance	AAH.
02	Distinctiveness	AAH.
03	Value	HMM.
04	Credibility	AAH.
05	Delivery	HMM.
06	Coherence	AAH.
07	Ownership	AAH.
08	Identity	AAH.
09	Precedent	AAH.
10	Compounding	HMM.
11	Alignment	AAH.
12	Stewardship	HMM.
	Human Nature	HMM.
	Conditions	HMM.
	Time	AAH.

Interim findings, not verdicts. Nothing is scored or added up: the verdict is one human judgment across the whole decision.

What would change our mind

- The size and breadth of the cuts, and the test evidence behind them.
- Q4 2026 and Q1 2027 traffic and comparable sales.
- Evidence that the weakness is cyclical rather than company-specific, or the reverse.
- Where gross margin settles after Q4, and what the named offsets are worth.
- How rivals respond on price, and whether shoppers link affordability to Sprouts.

06 · ONE VERDICT

The four Ps deserve one verdict.

Sprouts was right to act. Customer visits were falling. Earlier price investments had improved performance within individual categories but had not done enough to bring shoppers back. The company had evidence of a problem, evidence that its first response was insufficient, and a credible reason to change course.

The decision is not simply to become cheaper. It is to make Sprouts' differentiated, health-led offer more accessible. By investing in frequently purchased essentials, Sprouts is addressing a potential barrier to choosing the brand without abandoning what makes it worth choosing.

The financial sacrifice is real. The cause of declining traffic is not fully settled, previous tests did not establish a sufficient storewide response, and the national rollout carries substantial margin risk. But management has committed to evaluating customer response and adjusting the scale and pace of investment. That matters. It makes this a commitment informed by learning, rather than an irreversible bet on an untested assumption.

The strongest argument against the decision is that price may not be the principal problem. The strongest argument for it is that allowing customer relevance to erode while waiting for certainty may prove more damaging than the margin investment itself.

On balance, the decision strengthens the proposition Sprouts needs to protect. It responds to a genuine commercial weakness through a lever consistent with the company's identity, with a stated willingness to adapt. The outcome remains uncertain. The quality of the decision does not. AAH.

Evidence status: LIMITED. Judged on the decision of 28 October 2026. Public evidence reviewed through 17 November 2026.

VERDICT

The commitment deserves to be made.



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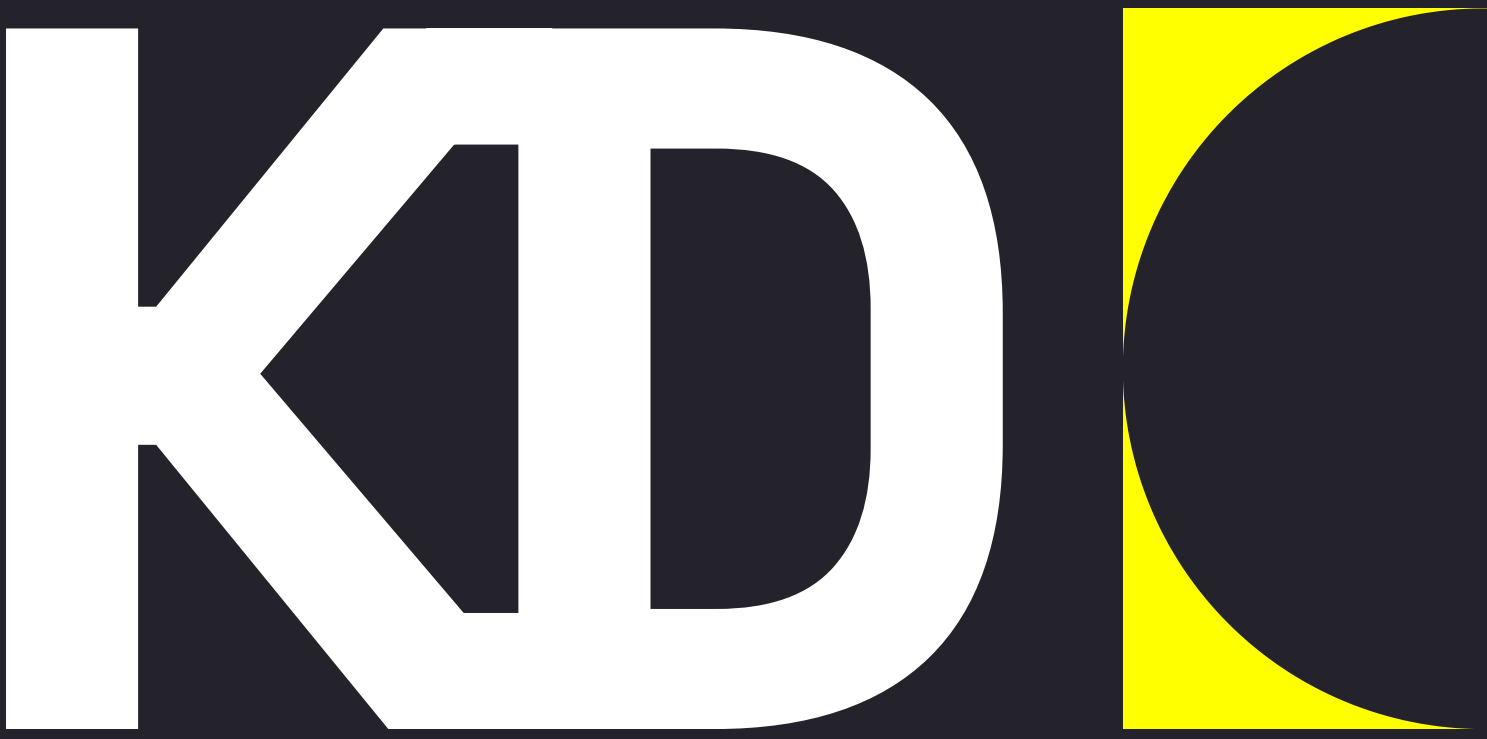
WAS SPROUTS RIGHT TO CUT PRICES TO WIN BACK TRAFFIC?

Sprouts chose to spend margin on lower prices for everyday staples to win shoppers back, testing first and keeping its national rollout open to adjustment. This Reading weighs the record, the cost and the open questions.

AI interrogates.
Humans judge.



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