

 <p>QUEENSLAND CONSUMERS ASSOCIATION</p>	<p>A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland</p> <p><i>Secretary: Max Howard PO Box 261 Corinda Q 4075</i></p> <p><i>Telephone: 0419 678 395</i></p>
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**PUBLIC SUBMISSION TO ACCC INQUIRY INTO THE
COMPETITIVENESS OF RETAIL PRICES FOR STANDARD
GROCERIES**

5 March 2008

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INTRODUCTION

The Queensland Consumers' Association (the Association) is the peak body for consumer groups in Queensland. The Association's members work in a voluntary capacity. The Association is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups.

The Association welcomes the opportunity provided by this inquiry for a well-informed public debate on grocery prices which are a major item of expenditure for most Australians and particularly for those on low incomes or with large families. This importance means that rapidly increasing grocery prices can have substantial effects on the welfare of millions of Australians and on the nation's economic position, particularly via the potential significant effects on the rate of inflation and inflationary pressures.

The Association is extremely interested in, and has views on, many issues and questions in the ACCC's Issues Paper. However, the Association has chosen to concentrate its limited resources on addressing Question 26 – Unit Pricing.

This focus on unit pricing reflects the Association's longstanding position that Australian consumers and the economy would benefit greatly if consumers were provided with the unit price of pre-packaged grocery items. In addition, it reflects the success of an Association member, Ian Jarratt, in winning a Churchill Fellowship in 2006 to study unit pricing in the USA and Europe. This study was undertaken in 2007 and is the only detailed Australian study we are aware of on unit pricing overseas. The report of the study is presented as Attachment 1.

THE SUBMISSION

This submission addresses only Question 26 – Unit Pricing in the Issues Paper. However, the Association considers that the effects of providing consumers with unit pricing information are extremely powerful and wide ranging in terms of better informing and simplifying consumer choice and promoting competition between manufacturers and between retailers.

Because the Association has so much information on unit pricing overseas and Australia's needs, the submission goes beyond simply addressing the three questions on unit pricing contained in Question 26. This is to fully inform the ACCC and public debate on unit pricing which the Association considers should be a high policy priority for governments, especially the federal government. Our view is justified by many recent developments including: increased interest to improve consumer policies, the major income pressures being experienced by working families, the poor and the disadvantaged, and increased concerns about inflationary pressures.

Regarding the three questions on unit pricing in the Issues Paper the Association's simple responses, which are supported by the rest of the submission and the recommendations are:

ACC Question: Would unit pricing (a requirement that the price per kilogram or per 100 grams etc is displayed on the supermarket shelf or product) improve the ability for customers to compare prices?

The Association's Response: **YES**

ACC Question: Should unit pricing be made compulsory?

The Association's Response: **YES**

ACC Question: Would unit pricing lower the cost of shopping for customers?

The Association's Response: **YES**

The submission consists of:

- Recommendations
- Background on unit pricing
- The need for unit pricing in Australia
- The case for compulsory unit pricing in Australia
- Voluntary provision
- Short term needs
- Attachment 1: Churchill Fellowship Report. "Unit pricing of pre-packaged grocery items in the European Union and the USA - Lessons for Australia"
- Attachment 2. Consumer requirements of unit pricing systems

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RECOMMENDATIONS

- Australia needs a compulsory national high quality unit pricing system that requires supermarkets to display the unit price for a wide range of pre-packaged grocery items on shelf labels, other in-store pricing signs, and internet ordering systems.
- The compulsory national uniform unit pricing system should have specific enforceable standards for matters such as: the units of measurement; the readability, visibility and accuracy of the information; and where and when a unit price must be provided.
- The necessary head(s) of power and detailed regulations for a compulsory national uniform unit pricing system should be included in the proposed new federal trade measurement legislation to replace the existing state and territory legislation in July 2010.
- Any voluntary provision of unit pricing should be required to achieve specified minimum standards on key matters.
- Australian unit pricing arrangements should: be developed in consultation with all stakeholders (including consumers); aim for "best practice"; learn from schemes operating in other countries; be accompanied by consumer education programs; include monitoring and enforcement of compliance; and be reviewed periodically.
- The federal government should as a matter of urgency convene a workshop involving consumers, retailers, state and federal bureaucrats, and other experts to consider the key features of a uniform high quality unit pricing system for Australia. The workshop should not address the issues of compulsory versus voluntary provision or

possible exemptions for some stores. The focus should be on if unit pricing is provided how this can be best done to ensure that the nation gets the maximum benefits and to ensure that retailers considering voluntary provision in the short term are aware of the views of all stakeholders on minimum requirements.

BACKGROUND ON UNIT PRICING

Unit Pricing of prepacked grocery items

Unit pricing simply provides consumers with the price per appropriate unit of measure, for example \$ per kg or litre, of pre packaged grocery items. It is provided in addition to the total price/price to be paid. It is provided by the retailer, normally on shelf labels. Manufacturers of pre-packaged products are NOT required to change their packages, labels etc.

Need for unit pricing

The very large number of package sizes, brands, products, and product forms on sale in most supermarkets means it is very difficult for most consumers to calculate unit prices themselves. For example, the numerous brands of corn flakes are sold in the following package sizes 310 g, 500g, 525g, 800 g and 825g.

Consequently, most consumers are unaware of the unit price when making purchasing decisions and as result unaware of the great range in unit prices between package sizes, brands, etc. For example, the unit price of Vegemite can range from \$13.32 to \$23.17 per kg depending on the type and size of the package.

Furthermore, some rules of thumb (for example the largest size is always the lowest unit price), which in the absence of unit price information consumers often have to use to assess value for money, often do not achieve the best outcome for the consumer. This is particularly so if there are several competing brands, there are short-term specials, and there is a permanent premium for the larger size.

Benefits of providing consumers with unit price information

The many benefits from effective unit pricing systems include:

- Simplifying consumer choice between packages of various sizes, between brands, between products, between products forms and between retailers. (Can result in major savings in money and time for many consumers and assist consumers to better assess value for money and quality).
- Promoting competition between manufacturers and between retailers

If consumers also use unit price information to buy healthier and less packaged products there can also be health and environmental benefits. Regarding the health benefits, the Association considers that many consumers might change their consumption patterns if, via unit price information, they were aware that the unit price of many snack foods is very high relative to substitutes such as fresh fruit. For example, packets of potato chips can cost up to \$30 per kg.

Even if a relatively small proportion of Australian consumers used unit price information to save money on pre-packaged grocery items, the aggregate savings could be worth hundreds of millions of dollars in what is reported to be a \$58 billion per annum industry.

For example, at Brisbane suburban supermarket, which does not provide unit prices, the Association recently investigated the unit prices of pre-packaged grocery items.

The main findings were:

- There is often huge range in the unit price of many products between sizes and brands.
- It is very difficult and time consuming for consumers to calculate unit prices themselves
- Rapidly changing prices, especially specials, mean that consumers need unit price information whenever they shop
- Many consumers could save large amounts of money if unit price information was available to help them choose between brands, sizes, and substitute products.

Regarding possible monetary savings, the investigations showed that the cost of 25 typical products of well-known national brands sizes specified in the CHOICE shopping basket was \$93.51. But by choosing the lowest unit priced packages, the cost of the same amount of total product for 25 items was only \$49.28 (a massive saving of \$44.23 or 47%). Also, because in this exercise most of the savings came from switching brand not package size, the total bill was only \$61.14 yet the basket still contained 13% more of the products sold by weight.

Recognising that consumers may not want to change the brand of all, or some, of the products in the CHOICE basket, a previous investigation by the Association revealed that for 19 items buying the lowest unit priced size within a brand reduced the cost of the same total amount of product by almost 20%.

The Association considers that these are very significant potential savings for consumers which could be further increased if consumers were also able, and willing, to compare the unit prices of substitute products.

The monetary savings are particularly significant for low income and other disadvantaged consumers who often spend a higher proportion of their incomes on pre-packaged grocery items.

Currently, due to non-provision of unit price information, the Association believes that very few consumers are well informed about value for money as indicated by unit prices and thus are prevented from making well-informed choices about pre-packaged grocery items.

Unit pricing in Australia

Retailers are only required to provide consumers with the unit price of some foods, eg fresh meat, in random weight packages. This is required by each state and territory's Trade Measurement (Prepacked Articles) Regulation. The Regulation requires that the unit price be show in \$ per kg and a minimum font size.

There is plenty of anecdotal evidence (which the Association is certain would be confirmed by formal surveys) that this unit price information is used by the majority of consumers to assist them choose between relevant product types and sub types. For example, between types of steak and between beef and chicken. In addition, consumers can also use the information to make better choices when the unit price varies according to package size, for example sometimes the unit price may be lower for larger packages.

Consumers make such great use of unit price information for random weight packages of these products. Indeed, it is such an accepted part of consumer decision making that the Association is certain that consumers would react very negatively to any moves to not require retailers to provide this information. Consider how much more difficult it would be for consumers to make well informed choices between for example a 640g package of minced beef for \$6.39 and 1.5kg of the same quality for \$13.49 or 550g of another quality for \$7.14 without also being provided with the unit prices per kg of \$9.99, \$8.99 and \$12.99 respectively. Yet this is what most consumers face when choosing between packets of cereals, cans of jams, bottles of drinks, etc which come in a massive range of sizes and in brands.

The above problems with pre-packaged grocery items like cereals, jams, drinks arise because retailers are not required to provide the unit price of other prepacked items. Until very recently, despite many years of pressure from consumer advocates, no supermarket chain provided unit price information on these other items. However, in response to the current consumer campaign for unit pricing, in November 2007, the Aldi supermarket chain introduced unit pricing in its stores and Woolworths has announced plans to trial unit pricing in some stores in 2008. Coles has indicated that it is not planning to provide unit pricing at this stage and at least one retailer association has publicly opposed the concept.

The Association considers that requiring retailers to provide the unit price of all pre-packaged grocery items, not just the few products in random weight packages, would be a logical and highly desirable extension of the current limited mandatory arrangements.

The Association also notes Aldi's system does not fully satisfy the requirements¹ for unit pricing systems developed by Australian consumer organisations, for example the unit price information is not displayed sufficiently prominently, the unit price is not shown if it is the same as the selling price, and too many units of measurement are used..

In view of Woolworths plans for trial of unit pricing in Australia, the Association also notes that the unit pricing systems provided voluntarily by Woolworths in some of its New Zealand supermarkets also do not meet the requirements of Australian consumers. For example, unit prices are not shown when products are on sale at a reduced price (i.e. on special), the unit price is not provided for some products, and the unit price information is often difficult to read.

¹ See Appendix 2, prepared by the Association in consultation with other consumer advocacy bodies including CHOICE and the Consumer Action Law Centre of Victoria

The Association also draws attention to the fact that Aldi has publicly supported the establishment of a uniform national system and encouraged other retailers to provide unit prices.

Retailer associations have been provided with copies of the Churchill Fellowship report but so far none has provided any feedback.

Unit pricing overseas

Attachment 1 contains considerable detail on unit pricing in the European Union and the USA. Accordingly, only an overview is provided below.

Throughout the European Union, and in several states in the USA, supermarkets are required to provide the unit price (in addition to the selling price) of most of the pre-packaged grocery items they sell. Compulsory provision is regulated by standards of varying detail and effectiveness. In the other US states, most supermarkets provide unit prices voluntarily and with no regulated standards but in some states voluntary provision must meet legislated minimum standards. In New Zealand, some supermarkets provide unit prices voluntarily but there are no legislated minimum standards and, as noted above, the systems have significant deficiencies for consumers. Unit price information is reported to be widely provided by supermarkets in Japan and South Africa.

Surveys of consumers in the USA and Europe have shown that high proportions of consumers (50 to 70%) use unit price information frequently or occasionally. Knowledge and use appear to be greatly influenced by many factors including the quality of the system provided, especially how well the information is displayed and the units of measurements used. This often varies greatly between and even within jurisdictions. Unit pricing can be the catalyst for major changes in consumer buying patterns, for example in Finland after its introduction 42 percent of consumers changed brand and 33 percent changed packet size.

Costs of introduction and operation are very low relative to turnover for large supermarkets.

Overseas experience shows that competition between retailers does not always result in “best practice” unit pricing systems, uniform systems, or provision at all supermarkets. Consequently, many overseas governments have made it compulsory and set standards which supermarkets must achieve.

THE CASE FOR COMPULSORY UNIT PRICING IN AUSTRALIA

General

Australia has the opportunity to learn from the unit pricing experiences of other countries and states.

The Association submits that this experience has been that to capture the many and important benefits possible if consumers have access to unit price information for pre-packaged grocery items, provision by supermarkets needs to be made compulsory.

In the USA, compulsory provision in Massachusetts in 1970 (with exemptions for some stores), was the catalyst for several other states to make it compulsory and for voluntary adoption, sometimes based on the Massachusetts model, by retailers in other states.

In Europe, compulsory provision in Sweden (modelled on the Massachusetts system) and a few other countries, provided the example and catalyst needed for the European Community (now the European Union) to introduce a Directive in 1998 (Dir98/6/EC) requiring all member nations to make unit pricing compulsory by 2002 (but with provision for exemptions to be allowed for some stores and products).

Unit pricing was made compulsory in Europe and the USA for numerous reasons which often included:

- Unsatisfactory voluntary provision – including non-provision by some retailers and excessive variation in type and quality of provision.
- Government interest in obtaining rapid and widespread benefits for consumers and the economy.

The advantages of early compulsory rather than voluntary provision for Australia would include:

- Unit pricing will be provided more widely and quickly.
- There will be less between-store variation in the system provided (depending on how much detail is specified in legislation, especially on how the unit price must be shown and the measurement units to be used).
- Public funds are more likely to be available for consumer education.
- Standards of performance can be set, monitored, and enforced.
- Implementation costs are likely to be lower, especially if numerous voluntary systems are established which require significant modification to comply with subsequent compulsory systems.

As discussed in Attachment 1, the Association notes that compulsory provision has two main components.

The first component is compulsion to provide unit prices. The arguments for this include ensuring that the maximum possible numbers of consumers have access to the information.

The second component is compulsory standards of provision – relevant to mandatory and voluntary provision.

All the mandatory unit pricing systems reported on in Attachment 1 (see appendix 1 of that document) also have enforceable mandatory standards of provision but these standards vary greatly in key matters such as presentation, units of measurement and products covered. These differences in standards undoubtedly influence consumer awareness and use of unit pricing, and point to the need for the maximum possible uniformity and detail in standards on key issues like presentation, units of measurement, products, and prices with any mandatory provision.

Based on overseas experiences, the current situation in Australia, and the needs of Australian consumers and the economy, the Association considers that to maximise benefits and minimise costs Australia needs:

- a compulsory national uniform high quality unit pricing system for pre-packaged grocery items sold at supermarkets, and
- specific standards to be achieved by providing retailers on key issues such as presentation, units of measurement, and products and prices to be covered.

The Association is confident that such compulsory provision and standards, with the scope for justified exemptions for some stores, would easily meet the requirements of any Regulatory Impact Statement and/or benefit-cost analysis.

Legislative options

The existing legislative options for the introduction of mandatory provision of unit price information and associated mandatory standards appear to include:

Federal legislation

- Include in the proposed new federal trade measurement legislation² which is to replace state and territory legislation in July 2010.
- A prescribed mandatory industry code of conduct under Section 51AE of the Trade Practices Act 1974.

State/territory legislation

- Modify one or more existing state/territory's trade measurement legislation which will continue to operate until July 2010.
- A mandatory industry code of practice under one or more existing state/territory's fair trading acts.

The advantages and disadvantages of each, or a combination, of these legislative options (and other options) relative to policy positions, objectives, etc. require further consideration by legal experts.

However, Association recommends that the necessary head(s) of power and detailed regulations be included in the proposed new federal trade measurement legislation to replace the existing state and territory legislation in July 2010. The main advantages of this legislative option are: national coverage, and complementarity with provisions to require the provision of unit price information for certain foods sold in random weight packages.

VOLUNTARY PROVISION

General

As indicated above, the Association's strong preference is for a compulsory, national uniform high quality system of unit pricing at supermarkets.

² currently the subject of stakeholder consultation by the National Measurement Institute

However, if the federal or state/territory governments are unwilling to introduce such a system the Association considers that there is a very strong case for any voluntary provision by supermarkets to still be within a regulatory framework that sets mandatory standards. These standards would cover key areas such as presentation, accuracy, units of measurement, and products and prices covered.

The reason is that overseas experience shows that when voluntary systems allow retailers to make their own decisions on key aspects of unit price provision, for example prominence of presentation, the resultant systems are frequently sub optimal for consumers and the economy due to practices such as:

- Unit price information being displayed much less prominently than the selling price.
- Unit prices not being provided for products sold on promotion.
- Unit prices being inaccurate and not provided for all products within a product type.
- Units of measurement being chosen to minimise the unit price shown (for example, in the USA c/oz rather than \$/lb may be used).
- Units of measurement being difficult for consumers to use (for example, per 100 batteries).
- Unit prices not provided beside the selling price in newspaper and other printed advertisements.
- Unit prices not being provided for internet ordering.

Mandatory standards for voluntary provision exist in some states in the USA.

Legislative options

The legislative options for the introduction of mandatory standards where unit pricing is provided on a voluntary basis by retailers appear to be similar to those outlined above for compulsory provision except that most relevant industry code of conduct under Section 51AE of the Trade Practices Act 1974 would be a prescribed voluntary code.

SHORT TERM NEEDS

Unfortunately, unless the federal government or a state/territory government is prepared to act quickly, it is likely to be several months or even years before final decisions are made on the need for, and roles of, legislation on unit pricing of pre-packaged grocery items in Australia.

Meanwhile, there is the strong possibility that other supermarkets will follow Aldi's example and introduce their own unit pricing systems.

As discussed above, this is will not be in the best long term interests of consumers and the economy, especially if key features of the systems vary significantly.

Therefore, the federal government should as a matter of urgency convene a workshop involving consumers, retailers, state and federal bureaucrats, and other experts to consider the key features of a uniform high quality unit pricing system for Australia. The workshop should not address the issues of compulsory versus voluntary provision or possible exemptions for some stores. The focus should be on if unit pricing is provided

how this can be best done to ensure that the nation gets the maximum benefits and to ensure that retailers considering voluntary provision in the short term, are aware of the views of all stakeholders on minimum requirements.

ATTACHMENT 1 – CHURCHILL FELLOWSHIP REPORT

UNIT PRICING OF PRE-PACKAGED GROCERY ITEMS IN THE EUROPEAN UNION AND THE USA – LESSONS FOR AUSTRALIA

9 November 2007
(revised version of report dated 2 /9/07)

Note: This is an extended and slightly revised version of a report on the fellowship submitted to the Churchill Trust and available to the public on its website www.churchilltrust.com.au in the business section

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Disclaimer: No representation or warranty is made as to the accuracy or completeness of this report. Nor shall I have any liability (whether arising from negligence or otherwise) for information contained in, or for any omissions from, the report.

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ACKNOWLEDGEMENTS

I am extremely grateful to the Winston Churchill Memorial Trust for giving me the opportunity to undertake this work. My results will assist the Australian consumer movement to initiate further public debate on the need for unit pricing in Australia. I hope that eventually it will result in the provision of unit price information by all Australian supermarkets.

I am grateful also for the support and encouragement of my family, friends and other consumer advocates.

Finally, I owe a great debt to each person and organisation visited. Firstly, because I learned something of value from everyone I met and secondly, because each of the 36 meetings I arranged before leaving Australia took place as planned.

EXECUTIVE SUMMARY

Background

The Churchill Fellowship allowed me to travel for 7.5 weeks, from 31 March to 16 May 2007, in the north east USA, Belgium, Ireland, Sweden and the UK. The aim was to investigate the development, implementation and use of unit pricing (price per unit of measure, for example per kg/litre) of pre-packaged grocery products by supermarkets in these countries. All members of the European Union require supermarkets to provide consumers with unit prices as also do several states in the USA. In the remaining US states most supermarkets provide unit prices voluntarily. Supermarkets in Australia are not required to, and most do not voluntarily, provide unit price information¹ for most pre-packaged grocery items.

Unit prices can provide many major benefits including helping consumers make better-informed decisions about what products to buy, especially when presented with numerous package sizes, brands and products. Unit prices can also promote competition.

During my fellowship, I observed and learned about the unit pricing of prepackaged grocery items sold in supermarkets in a wide variety of situations. I experienced compulsory unit pricing in the US states of New York, New Hampshire, Massachusetts, Connecticut and New Jersey and in the European Union countries of Belgium (while investigating whole of EU issues), Ireland, Sweden and the UK. I also observed voluntary unit pricing in the US states of Delaware, Pennsylvania and Maine and learned about how it operated in several states and countries prior to becoming mandatory there.

I met with 36 government agencies, retail organisations, consumer organisations, and researchers. I also visited 54 supermarkets and other grocery stores.

Key findings

1. Unit pricing systems differ greatly on many key matters relevant to Australia's situation and needs.
2. Numerous major benefits can be obtained by providing consumers with high quality unit price information.
3. In the European Union and some parts of the USA, the provision of unit prices is considered an important step in the evolution of grocery retailing, consumer protection arrangements, and competition provisions.
4. Everywhere I went, the cost to setup and maintain a unit pricing system was considered likely to be very low relative to turnover for large computerised stores.
5. Research and other information shows that accurate, relevant and easily readable unit prices are used by a large proportion of consumers.
6. Well planned, implemented and maintained compulsory unit pricing systems have many advantages over voluntary systems and are likely to result in greater and more sustainable benefits for consumers and society.

¹However, on 8 November 2007 one chain (ALDI) became the first major supermarket chain in Australia to provide unit pricing and another (Woolworths) is reported as planning to introduce a trial in some stores early in 2008 (Brisbane Courier Mail 9/11/07). ALDI also called for "a consistent national approach" and "called on the retail sector to adopt uniform unit pricing".

7. Setting standards of performance and assessing compliance are critically important issues for any compulsory unit pricing system and should be high priorities for an Australian system.
8. Any unit pricing provided voluntarily by Australian retailers should be required to achieve specified minimum standards on key matters.
9. Consumer use of compulsory or voluntary unit pricing systems can be reduced significantly by failure to set and achieve high standards of information presentation for key factors such as:
 - Prominent presentation of unit prices on shelf labels and other price signs.
 - Provision of unit price information for products on sale on special promotion as well as those on sale at the normal price.
 - Provision of unit price information for all products within a product type.
 - Type, consistency and uniformity of units of measurement used.
10. To facilitate rapid and widespread use of unit price information by consumers, the introduction of any systems (compulsory or voluntary) in Australia should be accompanied by consumer education programs involving retailers, governments and community organisations.
11. It is important to ensure that:
 - Australian consumer organisations can, and do, participate on an on-going basis in the development and implementation of improved unit price arrangements in Australia.
 - Individual consumers are aware of standards set for unit pricing and the need to draw attention to non-compliance and other problems.

Conclusions

1. Unit pricing is mandatory in supermarkets in the European Union and in some states in the USA (in other states it is frequently provided voluntarily).
2. For well-run, computerised supermarkets, the cost of providing unit prices is very low relative to turnover.
3. Unit prices are used by high proportions of consumers in the European Union and the USA.
4. Unit pricing greatly assists consumers to make well-informed choices between products. As a result, consumers save money and time and competition between manufacturers and between retailers increases. There may also be additional health and environmental benefits if consumers use unit prices to change consumption patterns and buy more healthy foods and less packaged grocery items.
5. In the European Union and some parts of the USA, providing unit pricing is considered an important step in the evolution of grocery retailing, consumer protection arrangements, and competition provisions. It is an extremely simple and cost-effective way to reduce problems arising from: increasing use of pre-packaged products, increasing diversity of package sizes and brands, the complete or partial removal of restrictions on package sizes, and increased industry concentration.
6. Decisions by individual retailers on key aspects of unit pricing provision can result in significantly less beneficial systems for consumers and less uniformity between retailers and countries/states.

7. Compulsory unit pricing systems which are well planned, implemented and maintained have many advantages over voluntary systems and are likely to result in greater and more sustainable benefits for consumers and society.
8. Setting and achieving performance standards are essential components of any unit pricing system.
9. Information and education programs are required to promote consumer awareness and use of unit prices.
10. Consumer organisations and individual consumers have important roles to play in the development and on-going operation of unit pricing systems.

Recommendations

1. Australia needs a compulsory unit pricing system which requires supermarkets to display the unit price on shelf labels, other in store pricing signs, and internet ordering systems for a wide range of pre-packaged grocery items. (Supermarkets already must do this for random weight packages of some products like fresh meat and fish.)
2. A compulsory national scheme rather than voluntary provision by individual supermarkets is required to:
 - Provide greater and more continuing benefits.
 - Give more consumers access to unit prices and increase usage.
 - Ensure that measurement units, presentation methods, and product coverage are uniform throughout the country and are consumer friendly.
 - Ensure that unit prices are provided for products sold on special as well as regular prices.
 - Ensure that unit prices are provided for products sold via supermarket on-line ordering systems as well as in supermarkets.
 - Allow standards of performance to be set, monitored and enforced.
 - Allow more resources to be provided for consumer education programs.
 - Reduce implementation costs.
3. Commonwealth legislation is the appropriate vehicle for a compulsory national unit pricing system for pre-packaged grocery items sold at supermarkets. The system should include specified standards for key matters such as units of measurement, readability and visibility, accuracy, and selling prices covered (unit prices should be provided for products sold on “special” as well as at regular prices.). (The legislative options include a prescribed mandatory industry code of conduct under *s. 51AE of the Trade Practices Act 1974* and proposed new Commonwealth trade measurement legislation expected to replace state and territory legislation by 1 July 2010.)
4. Any voluntary provision of unit pricing by supermarkets should achieve specified minimum standards on key matters. (The legislative options include a prescribed industry code of conduct under *s. 51AE of the Trade Practices Act 1974* and proposed new Commonwealth trade measurement legislation.)
5. Australia’s unit pricing arrangements should:
 - Be developed in consultation with all stakeholders (including consumers).
 - Aim for “best practice”.
 - Learn from systems operating in other countries.

- Be accompanied by consumer education programs.
- Include monitoring and enforcement of compliance.
- Be reviewed periodically.

6. Some features¹ of overseas unit pricing schemes relevant to Australia's needs include:

- Uniform prominent format required for display of unit prices (Massachusetts).
- Kg/litre/metre/square metre, etc are the basic unit price measurements and with minimum exceptions (Ireland).
- Provisions for unit prices for products by count (Connecticut).
- Same unit of measure to be used for all sizes of the same product (USA – Uniform Unit Pricing Regulation).
- Comprehensive coverage of grocery products, with minimum exemptions (Ireland).
- Unit prices must be shown for products sold on special as well as at regular prices (Sweden).
- Unit prices must be provided for groceries ordered on the internet as well as those purchased in-store (UK).
- Comprehensive and on-going consumer education programs (Sweden).
- Resources provided and maintained to monitor and enforce compliance (New Jersey).
- Provisions for exemption for small stores (New York) or stores without computerised labelling facilities (Ireland).

¹ each feature may occur in several countries/states

FELLOWSHIP PROGRAM

<p><u>31 March - 3 April, Washington DC, USA</u></p> <ul style="list-style-type: none"> • National Institute for Standards and Technology • Federal Trade Commission • Consumer Federation of America • Food Marketing Institute 	<p><u>21 – 24 April, New Jersey, USA</u></p> <ul style="list-style-type: none"> • Dept of Law and Public Safety (Division of Consumer Affairs) • New Jersey Food Council
<p><u>4 April, Delaware, USA</u></p> <ul style="list-style-type: none"> • Delaware Dept of Agriculture 	<p><u>22 – 29 April, Brussels, Belgium</u></p> <ul style="list-style-type: none"> • Bureau European des Unions de Consommateurs (Bureau of European Consumer Associations) • European Commission - Health and Consumer Protection DG • EuroCommerce
<p><u>5 – 6 April, Pennsylvania, USA</u></p> <ul style="list-style-type: none"> • Pennsylvania Dept of Agriculture • Pennsylvania Food Merchants Association 	<p><u>30 April – 3 May, Dublin, Ireland</u></p> <ul style="list-style-type: none"> • Dept of Enterprise, Trade and Employment • Office of Director of Consumer Affairs • Irish Business and Employers Confederation • Consumers Association of Ireland
<p><u>7 - 11 April, New York State, USA</u></p> <ul style="list-style-type: none"> • New York Department of Agriculture and Markets • Retail Council of NY State, • Food Industry Alliance of NY State • NY Public Interest Research Group 	<p><u>4 May – 8 May, Stockholm, Sweden</u></p> <ul style="list-style-type: none"> • Handelns Utvecklingsrad (Swedish Trade Association's Research Foundation) • Konsumentverket (Swedish Consumer Agency and Consumer Ombudsman) • Sveriges Konsumenter (Swedish Consumer Association)
<p><u>12 – 14 April, New Hampshire, USA</u></p> <ul style="list-style-type: none"> • New Hampshire Dept of Agriculture • New Hampshire Grocers Association 	<p><u>9 May – 16 May, London, Exeter, Watford and Manchester, UK</u></p> <ul style="list-style-type: none"> • Local Authorities Coordinators of Regulatory Services • Consumers International • Office of Fair Trading • Trading Standards Institute • British Retail Consortium • National Consumer Council • International Grocery Distribution • Manchester University Business School
<p><u>15 – 18 April, Massachusetts, USA</u></p> <ul style="list-style-type: none"> • Massachusetts Division of Standards • Massachusetts Food Association • Massachusetts Consumers Coalition 	
<p><u>19 – 20 April, Connecticut, USA</u></p> <ul style="list-style-type: none"> • Department of Consumer Protection • Connecticut Food Association 	

KEY ISSUES AND FINDINGS

Background

For many years, via the Australian Consumers Association (now CHOICE) and the Consumers Federation of Australia, the Australian consumer movement has campaigned unsuccessfully for consumers to be provided with the unit price (price per unit of measurement) of pre-packaged grocery items. The unit price would be provided by the retailer in addition to the selling price. Retailers already must provide the unit price (\$/kg) for pre-packaged fresh meat and a few other similar products. But they are not required to, and do not voluntarily¹, provide the unit price for other pre-packaged grocery items such as products packaged in cans, cartons, and bottles. These products are a large proportion of the goods in supermarkets.

Unit prices can provide many major benefits, including helping consumers make better-informed decisions about what products to buy, especially when presented with numerous package sizes, brands and products.

State and Federal governments have refused to make unit pricing of pre-packaged grocery items compulsory on the grounds that the case for this was not proven. Furthermore, until very recently, Australian supermarkets have refused to provide unit prices voluntarily.

The historic positions of Australian governments and retailers on unit pricing are in marked contrast to those of governments and retailers in other developed countries. For example, unit pricing is compulsory for supermarkets in each of the 27 member nations of the European Union (EU) and in several states in the USA. In the remaining US states, most supermarkets provide unit prices voluntarily, a situation which existed in several EU countries prior to unit pricing becoming compulsory.

Therefore, the objective of this Churchill Fellowship was to visit countries with compulsory and voluntary unit pricing arrangements to learn about several aspects of their systems including, why and how unit prices are provided, the benefits and costs, and issues and features relevant to Australia.

Introduction

During my fellowship, I observed and learned about the unit pricing of prepackaged grocery items sold in supermarkets in a wide variety of situations. I observed compulsory unit pricing in the USA states of New York, New Hampshire, Massachusetts, Connecticut and New Jersey and in the following EU countries; Belgium (while investigating whole of EU issues), Ireland, Sweden and the UK. I also observed voluntary unit pricing in the US states of Delaware, Pennsylvania and Maine and learned about how it operated in several states and countries prior to becoming mandatory there.

The compulsory systems I observed, often differed greatly in: requirements; apparent levels of compliance; and resources available for monitoring and enforcing compliance. The differences in legislative requirements between the systems included:

- Detailed specifications on how the unit price information should be presented rather than just general guidelines.

¹ However, on 8 November 2007 one chain (ALDI) became the first major supermarket chain in Australia to provide unit pricing and another (Woolworths) is reported as planning to introduce a trial in some stores early in 2008 (Brisbane Courier Mail 9/11/07). ALDI also called for “a consistent national approach” and “called on the retail sector to adopt uniform unit pricing”.

- Lists of eligible products and specified units of measurement for eligible products, compared with the inclusion of virtually all products sold by measurement and with few allowed variations on the basic units of measurement.
- Requiring the provision of unit prices for products sold on special as well as being sold at the normal price compared with only requiring the provision of a unit price with the normal selling price.
- Requiring that unit prices be provided on written advertisements showing price compared with not requiring this.
- Requiring the provision of unit prices for grocery items offered for sale via the internet compared with not having such a requirement.
- Providing for small stores (variously defined) to be exempt from providing unit prices compared with requiring provision by all stores.
- Providing for the imposition of administrative fines for non-compliance rather than requiring the initiation of formal legal proceedings.

When unit pricing was not compulsory¹, I also observed great inter-store differences on many matters including:

- Whether any unit prices were provided, and if so for which products.
- The presentation, readability and accuracy of unit prices.
- The provision of unit prices for products on sale as specials as well those being sold at the regular prices.
- The type and consistency of the measurement units used.

Key finding: Unit pricing systems differ greatly on many key matters relevant to Australia's situation and needs.

Some key features of the systems I observed, including the legislative basis for compulsory systems, are summarised in Appendix 1.

Further information about these systems will be provided in a more detailed report on my fellowship.

As a result of my fellowship and other research, I have identified several key issues relevant to consideration of Australia's unit pricing requirements. These issues are:

- Benefits
- Costs.
- Use by consumers.
- Compulsory versus voluntary systems.
- Standards.
- Presentation.
- Consumer education.
- Roles of consumers and consumer organisations.

Each is discussed below after which I provide my overall conclusions and recommendations.

Note: these are my personal assessments of the key issues and are presented as such rather than as an academic study.

¹i.e where the provision of unit prices was not compulsory for any products or where compulsory unit pricing did not apply to some products.

Benefits

Consumer benefits

The benefits for individual consumers using unit price information when shopping include:

- Easier, quicker and more accurate comparison of cost per unit of measure of package sizes within and between brands, between different forms of a product, and between substitute products.
- Easier use of price as an indicator of relative “quality”.
- Easier recognition and adjustment to package content downsizing by manufacturers and to large package premiums charged by retailers.

Competition benefits

These can be realised by all consumers as well as the economy as a whole and are a result of:

- A greater focus by retailers and manufacturers on price and value for money rather than brand.
- Easier and cheaper entry into the market of new products and of new manufacturers.
- Reduced need for prescribed package sizes.

Retailer benefits

These may arise from:

- Providing consumers with a better service.
- Increased demand for, and easier promotion of, own brands.

Environmental benefits

These may occur if unit prices result in:

- Some consumers switching to products with less packaging and to self serve bulk products.

Health benefits

These may occur if unit prices result in:

- Some consumers switching from less to more healthy foods, for example from high unit priced pre-packed snacks etc. to fresh fruit.

The aggregate or specific benefits of unit pricing appear to have not been well researched or documented in recent years¹ However, it is well established that unit prices vary greatly between products, brands and package size and that many consumers do not calculate unit prices themselves. Accordingly, value conscious shoppers can use unit price information to make substantial savings on their grocery bills. Given that groceries are a major cost item for most consumers the aggregate savings will be very high if a reasonable proportion of consumers use unit pricing to lower their grocery bills. In addition, some consumers may also benefit from using unit price information to better identify higher “quality” level products and choose to switch to higher unit price products. Furthermore, the value of reduced shopping time will be high for many consumers.

Key finding: Numerous major benefits can be obtained by providing consumers with high quality unit price information.

Unit pricing is an extremely simple and cost-effective way to reduce problems arising from:

- Increased use of pre-packaged products.
- Increased diversity of package sizes and brands.

¹ But, numerous studies were undertaken in the USA during the 1970s and 1980s prior to and after unit pricing became compulsory in several states.

- Complete or partial removal of restrictions on package sizes.
- Increased industry concentration.

Key finding: In the European Union and some parts of the USA, the provision of unit prices is considered an important step in the evolution of grocery retailing, consumer protection arrangements, and competition provisions.

In many places, I learned that some retailers decided to provide unit prices voluntarily in order to offer customers a useful service and/or to highlight the excellent value of their own brands.

Consideration and appreciation of the roles that unit pricing can play in delivering environmental and health benefits are developing.

Costs

Depending on the type of system, the costs of unit pricing systems are usually incurred by retailers and, where involved, regulatory agencies and publicly funded education programs. Of course, retailer costs would usually be paid for by their customers ultimately.

For retailers, costs vary depending on the changes needed to adapt pre-unit pricing arrangements but for large computerised shops costs are usually very low for initial set-up and on going provision. A Swedish study¹ undertaken in 1994, suggested that for supermarkets the initial cost of implementation may have been less than 0.03 percent of turnover and that operating costs are very low. Studies of implementation in the USA during the 1970s indicated even lower costs for many retailers. Also, implementation or other costs did not appear to have been significant problems for large supermarkets which were members of retail associations I visited.

In this regard, it is important to remember that once the labelling systems have been set up, any other unit pricing work would be undertaken any way. For example, all labels and other signage have to be changed when prices or quantities change and store staff must continually monitor the accuracy of shelf labels. Also, many regulated systems provide for some retailers to be exempt if implementation costs may be excessively high, for example, small shops or shops unable to produce their own labels using a computer.

Key finding: Everywhere I went, the cost to setup and maintain a unit pricing system was considered likely to be very low relative to turnover for large computerised stores.

Regulatory agencies (when needed for compulsory or regulated voluntary arrangements) generally already exist for other trade measurement work, including the provision of unit price information for pre-packaged fresh meat, fish, etc. Consequently, additional work associated with unit pricing of pre - packaged grocery items should normally only involve marginal increases in costs.

Costs for public education programs should be low relative to total spending on groceries and the potential benefits, especially if supermarkets participate.

Use by consumers

¹ Unpublished 1994 study by the Swedish Consumer Agency.

When provided, unit prices are used frequently or occasionally by a high proportion of all consumers. For example, some studies¹ in the USA, UK and Sweden have reported overall usage rates of 50 to 70 percent. Levels of use often vary between consumer types. Savings in time and money and improvements in obtaining value for money also vary between consumer types.

The high levels of competition between retailers and manufacturers for market share mean that even if unit pricing were used by only a relatively small percentage of consumers it could still have major beneficial effects on prices charged, the introduction of new products, and the entry of new manufacturers. After the introduction of mandatory unit pricing in Finland, a survey² showed that up to 41 percent of consumers changed the brand of some of the products bought and 33 percent changed the packet size.

Key finding: Research and other information shows that accurate, relevant and easily readable unit prices are used by a large proportion of consumers.

However, I have concluded also that use of unit pricing can be significantly reduced if:

- Unit prices: are difficult to read; not provided for sufficient product types; are not provided for all products within a product type; are inaccurate, have inappropriate units of measurement and money; and are not easily comparable between and within product types.
- Consumers have not been adequately made aware of, and helped to use, unit prices.

Compulsory versus voluntary systems

Compulsory systems are in place in each of the 27 countries of the European Union and in several states in the USA. These systems are required by legislation. As noted earlier, they often vary significantly regarding many key issues such as: products involved; shops included/excluded; measurement units used; form of presentation of unit prices on labels, other signage and advertisements; provision for products sold at special as well as at normal prices; official monitoring and enforcement of compliance; and consumer education activities.

All jurisdictions with compulsory unit pricing took this approach after a period of voluntary provision by some retailers. When shops are required to provide unit price information for specified product types, they usually also provide unit prices voluntarily for many other products on sale.

Voluntary provision of unit price information occurs in all the USA states where not compulsory. The proportions of total retailers or of total grocery turnover involved in voluntary provision are not known accurately but are reported to be high. In some states, probably very few, there may be some limited regulation of how voluntary unit pricing shall be provided but generally retailers can provide whatever system they wish.

In states where unit pricing is not compulsory, retailers appear to provide unit price information voluntarily for many reasons including:

- Operating in compulsory and non compulsory states and have pricing and labelling systems set up to cater for stores in both types of states (However, there may still be significant differences in the unit pricing provided between a chain's stores in compulsory and in voluntary states).
- Wanting to provide a better service to customers.

¹ For example: Mitchell, V., Lennard D. and McGoldrick P. (2003). "Consumer Awareness, Understanding and Usage of Unit Pricing", *British Journal of Management*, Vol 14, 173-187. and Swedish Consumer Agency (1994) "Are Unit Prices Necessary?"

² National Finnish Consumer Board (1992) reported in Appendix 1 of the Swedish Consumer Agency's 1994 report "Are Unit Prices Necessary?"

- In response to competition from other retailers who provide unit prices.

Also, as noted above, voluntary provision often occurs in addition to compulsory provision in some stores. This is mainly when compulsory products are listed in legislation rather than there being a general requirement to provide unit pricing for all products sold by measure or count.

The fellowship showed that the usefulness of unit pricing to consumers can be significantly reduced when retailers can make their own decisions about key elements of the unit pricing they will provide. This is possible, and occurs, with some compulsory systems and with all voluntary systems. Examples include:

- Unit price information being displayed much less prominently than the selling price.
- Unit prices not being provided for products sold on promotion.
- Unit prices being inaccurate and not provided for all products within a product type.
- Units of measurement being chosen to minimise the unit price shown (for example, in the USA c/oz rather than \$/lb may be used).
- Units of measurement being difficult for consumers to use (for example, per 100 batteries).
- Unit prices not provided beside the selling price in newspaper and other printed advertisements.
- Unit prices not being provided for internet ordering.

Accordingly, it is not surprising that several state governments in the USA and each country in the EU have made the provision of unit pricing compulsory and have set specified standards to be achieved. In a few US states, voluntary systems must also meet some very basic requirements specified in legislation.

Compulsory systems can have many advantages for consumers and the economy over voluntary systems including:

- Unit pricing is provided more widely and quickly.
- Less between-store variation in the system provided (depending on how much detail is specified in legislation, especially on how the unit price must be shown and the measurement units to be used).
- Public funds are more likely to be available for consumer education.
- Standards of performance can be set, monitored and enforced.
- Implementation costs may be lower, especially if voluntary systems require significant modification to comply with subsequent compulsory systems.

However, to ensure that compulsory systems remain efficient and effective, stakeholders must not take the systems for granted after introduction and sufficient resources must continue to be available for independent monitoring, and enforcing, of compliance with legislative requirements. The latter is often a problem since weights and measurement work may be given low priority in official budgets and there seems to be an increasing tendency for enforcement agencies to take action mainly in response to complaints from consumers and other retailers rather than on their own account. The latter trend has major implications for individual consumers and consumer organisations. Currently, most are aware rarely of unit pricing problems and seldom make complaints to retailers or regulators.

Also, compulsory systems must be adapted to reflect changes in society and retailing. Examples of such changes include: new products; new labelling and signage systems, including electronic shelf labels; new promotional methods; requirements for measurement information on product labels; internet ordering; and retailers expanding the range of products sold. I observed that the latter is a very significant challenge for unit pricing in US states with compulsory unit pricing since non-traditional food retailers, such as pharmacists and department stores, have become major food retailers. In

addition, in states with voluntary unit pricing, non-traditional food retailers may be less inclined to provide unit pricing than traditional retailers.

Key finding: Well planned, implemented and maintained compulsory unit pricing systems have many advantages over voluntary systems and are likely to result in greater and more sustainable benefits for consumers and society.

Standards

All the compulsory unit pricing systems I observed set specific requirements for a number of key factors such as: presentation of unit prices, units of measurement to be used, accuracy, products and prices covered, etc. Also, all had government officers responsible for monitoring and enforcing compliance. However, there were substantial variations in; the resources available for such work, how compliance operated in practice, and the processes involved in imposing financial penalties on non-complying retailers. Also, there was great variation in the precise standards of performance retailers were expected to achieve, standards set, and procedures used to assess compliance. As a result, the quality of the unit price information provided by some stores in some compulsory systems was lower than I had expected and could be reducing consumer confidence in, and use of, some, systems. I gained the impression in some places that significant benefits would result if regulators and retailers provided more resources to ensure compliance with, and improve, existing systems.

Key finding: Setting standards of performance and assessing compliance are critically important issues for any compulsory unit pricing system and should be high priorities for an Australian system.

As noted earlier, many stores operating in compulsory unit pricing systems also provided unit price information for additional non-regulated products. However, often these unit prices did not use consumer friendly units of measurement and the unit price was not provided for all products within a product type. This reduced the value of the information to consumers. I found the same problems in stores in places where unit pricing was not compulsory. Accordingly, when unit prices are provided voluntarily it is highly desirable to have clear and checked standards of performance for key matters.

Finally, I observed substantial variations in the extent to which retailers providing unit price information to meet legislated requirements and providing it voluntarily, provided consumers with a high quality unit pricing system likely to encourage high levels of use. This was surprising given that most retailers place great emphasis on meeting consumer needs. I observed errors such as missing unit prices, inaccurate unit prices, and unit prices using the wrong measurement unit. Such mistakes could be noticed easily by staff who routinely check shelf labels for other purposes, for example when checking that the price shown on the shelf tag is the same as that being charged at the check out.

Key finding: Any unit pricing provided voluntarily by Australian retailers should be required to achieve specified minimum standards on key matters.

Presentation

As noted earlier, the presentation of unit prices to consumers varies significantly between many of the systems I observed. The greatest uniformity was in the north east of the USA where most states with compulsory unit pricing require that the unit price information on shelf labels be; placed to the left of the selling price, very prominent relative to the selling price, and placed on a coloured background. They also require the placement of the words “unit price” above the unit price information. This is also

the presentation approach adopted in Sweden which uses the words “comparison price” rather than “unit price”.

In addition, as noted earlier, in many stores where retailers have discretion as to how the unit prices are presented, I found that the information on shelf tags was often much less prominent than the selling price and frequently too small to read easily, particularly on the lower shelves. A recent study¹ in the USA has shown clearly that consumer awareness and use of unit prices increases greatly when the information is presented prominently.

Two examples of observed approaches to the presentation of unit price information on shelf labels are provided in Appendix 2.

I also found that retailers often did not provide any unit prices for products being sold in promotions (on-shelf and in-aisle and end-of-aisle stands).

With both compulsory and voluntary systems, I also observed many problems with the units of measure used in the calculation and presentation of unit prices. These problems included: too many units of measurement; inappropriate units of measurement; and non-uniformity in the measures used within and between competing products types.

Key finding: Consumer use of compulsory or voluntary unit pricing systems can be reduced significantly by failure to set and achieve high standards of information presentation for key factors such as:

- **Prominent presentation of unit prices on shelf labels and other price signs.**
- **Provision of unit price information for products on sale on special promotion as well as those on sale at the normal price.**
- **Provision of unit price information for all products within a product type.**
- **Type, consistency and uniformity of units of measurement used.**

Consumer education

The introduction of compulsory unit pricing was accompanied by substantial consumer education programs in several US states (for example Massachusetts, New Jersey, New York and Connecticut) and in Sweden. I was advised that these programs were very effective and frequently involved retailers displaying material advising that unit prices were provided, and showing what they were and how they could be used. In Sweden, there has also been substantial on-going consumer education activity.

It is very easy to assume that most Australian consumers would become aware of, and learn how to use, unit prices if unit prices were simply provided. However, many studies on consumer behaviour, as well as impressions I gained during my fellowship, suggest that this is not so and that special efforts are needed to inform and educate consumers. This is particularly so in Australia since, unlike everywhere I visited, Australian consumers have had no prior exposure to unit prices for grocery items pre-packaged in cans, cartons, bottles, etc. Also, special education efforts may be needed to target low income, aged and other disadvantaged consumers.

¹ Miyazaki A., Sprott D. and Manning K. (2000). “Unit Prices on Retail Shelf Labels: An Assessment of Information Prominence,” *Journal of Retailing*, Vol 76 (1) 93-112.

Key finding: To facilitate rapid and widespread use of unit price information by consumers, the introduction of any systems (compulsory or voluntary) in Australia should be accompanied by consumer education programs involving retailers, governments and community organisations.

Consumers and consumer organisations

I learned that consumer lobbying was the main reason why compulsory unit pricing replaced voluntary systems in most of the places I visited. In the USA, this consumer success in some states also helped to increase the voluntary provision of unit pricing in other states and so resulted in major benefits for all US consumers and the economy. The EU's decision to make unit pricing compulsory in every member country was also greatly influenced by effective lobbying by consumer organisations.

I also learned that effective on-going input from consumer organisations and individuals is required to ensure that unit pricing systems meet consumer needs by being well conceived and implemented. As noted earlier, this is clearly demonstrated by many regulators now undertaking compliance monitoring largely in response to complaints by consumers.

However, in several places I visited, especially in the USA, consumer organisations do not exist or have very few resources and as a result have very limited involvement with unit pricing issues. A notable exception was in Massachusetts where there is still an active consumer organisation involved in unit and other retail pricing matters and where the work of individual consumer advocates has resulted in improvements to the unit pricing system. In the EU countries I visited, national consumer organisations work on a wide range of issues, including unit pricing. All recognised its importance to inform and protect consumers and to promote competition.

It is clear that individual consumers everywhere seem to have less time and/or inclination to complain about problems with unit pricing. Therefore, it is important that effective consumer organisations can allocate resources to unit pricing issues. This is clearly illustrated by the vitally important role being played by the Bureau of European Consumers Organisations (BEUC) in coordinating member organisation input into the current review of the EU unit pricing regulations and the associated general review of consumer protection arrangements. BEUC benefits from funding provided by the EU. Also, in the UK, the government funded but independent National Consumer Council has undertaken research in the weights and measures area, including on unit pricing.

Key finding: It is important to ensure that:

- **Australian consumer organisations can, and do, participate on an on-going basis in the development and implementation of improved unit price arrangements in Australia.**
- **Individual consumers are aware of standards set for unit pricing and the need to draw attention to non-compliance and other problems.**

CONCLUSIONS

1. Unit pricing is mandatory in supermarkets in the European Union and in some states in the USA (in other states it is frequently provided voluntarily).
2. For well-run, computerised supermarkets, the cost of providing unit prices is very low relative to turnover.
3. Unit prices are used by high proportions of consumers in the European Union and the USA.
4. Unit pricing greatly assists consumers to make well-informed choices between products. As a result, consumers save money and time and competition between manufacturers and between retailers increases. There may also be additional health and environmental benefits if consumers use unit prices to change consumption patterns and buy more healthy foods and less packaged grocery items.
5. In the European Union and some parts of the USA, providing unit pricing is considered an important step in the evolution of grocery retailing, consumer protection arrangements, and competition provisions. It is an extremely simple and cost-effective way to reduce problems arising from: increasing use of pre-packaged products, increasing diversity of package sizes and brands, the complete or partial removal of restrictions on package sizes, and increased industry concentration.
6. Decisions by individual retailers on key aspects of unit pricing provision can result in significantly less beneficial systems for consumers and less uniformity between retailers and countries/states.
7. Compulsory unit pricing systems which are well planned, implemented and maintained have many advantages over voluntary systems and are likely to result in greater and more sustainable benefits for consumers and society.
8. Setting and achieving performance standards are essential components of any unit pricing system.
9. Information and education programs are required to promote consumer awareness and use of unit prices.
10. Consumer organisations and individual consumers have important roles to play in the development and on-going operation of unit pricing systems.

RECOMMENDATIONS

1. Australia needs a compulsory unit pricing system which requires supermarkets to display the unit price on shelf labels, other in store pricing signs, and internet ordering systems for a wide range of pre-packaged grocery items. (Supermarkets already must do this for random weight packages of some products like fresh meat and fish.)
2. A compulsory national scheme rather than voluntary provision by individual supermarkets is required to:
 - Provide greater and more continuing benefits.
 - Give more consumers access to unit prices and increase usage.
 - Ensure that measurement units, presentation methods, and product coverage are uniform throughout

the country and are consumer friendly.

- Ensure that unit prices are provided for products sold on special as well as regular prices.
- Ensure that unit prices are provided for products sold via supermarket on line ordering systems as well as in supermarkets.
- Allow standards of performance to be set, monitored and enforced.
- Allow more resources to be provided for consumer education programs.
- Reduce implementation costs.

3. Commonwealth legislation is the appropriate vehicle for a compulsory national unit pricing system for pre-packaged grocery items sold at supermarkets. The system should include specified standards for key matters such as units of measurement, readability and visibility, accuracy, and selling prices covered (unit prices should be provided for products sold on “special” as well as at regular prices). (The legislative options include a prescribed mandatory industry code of conduct under *s. 51AE of the Trade Practices Act 1974* and proposed new Commonwealth trade measurement legislation expected to replace state and territory legislation by 1 July 2010.)

4. Any voluntary provision of unit pricing by supermarkets should achieve specified minimum standards on key matters. (The legislative options include a prescribed industry code of conduct under *s. 51AE of the Trade Practices Act 1974* and proposed new Commonwealth trade measurement legislation.)

5. Australia’s unit pricing arrangements should:

- Be developed in consultation with all stakeholders (including consumers).
- Aim for “best practice”.
- Learn from systems operating in other countries.
- Be accompanied by consumer education programs.
- Include monitoring and enforcement of compliance.
- Be reviewed periodically.

6. Some features¹ of overseas unit pricing schemes relevant to Australia's needs include:

- Uniform prominent format required for display of unit prices (Massachusetts).
- Kg/litre/metre/square metre, etc are the basic unit price measurements and with minimum exceptions (Ireland).
- Provisions for unit prices for products by count (Connecticut).
- Same unit of measure to be used for all sizes of the same product (USA – Uniform Unit Pricing Regulation).
- Comprehensive coverage of grocery products, with minimum exemptions (Ireland).
- Unit prices must be shown for products sold on special as well as at regular prices (Sweden).
- Unit prices must be provided for groceries ordered on the internet as well as those purchased in-store (UK).
- Comprehensive and on-going consumer education programs (Sweden).
- Resources provided and maintained to monitor and enforce compliance (New Jersey).
- Provisions for exemption for small stores (New York) or stores without computerised labelling facilities (Ireland).

¹ each feature may occur in several countries/states

APPENDIX 1: SUMMARY OF UNIT PRICING IN STATES VISITED IN USA AND COUNTRIES IN EUROPEAN UNION

<i>State/country</i>	<i>Legislation</i>	<i>Exempt retailers</i>	<i>Products specified in detail (Y/N)</i>	<i>Main products specified</i>	<i>UP measurement units specified in detail (Y/N)</i>	<i>UP presentation specified in detail (Y/N)</i>	<i>UP required for products “on special” (Y/N)</i>	<i>UP required on advertisements showing selling price (Y/N)</i>
<u>Compulsory Unit Pricing</u>								
New York	Article 17 (section 214) of the Agriculture and Markets Law and Part 345 of Title 1 of the Official Compilation of Codes, Rules and Regulations	Small	Y	Food, paper products etc, detergents etc, toiletries, and non prescription drugs	Y	Y	Y	N
New Hampshire	Chapters 438:26-a and National Unit Pricing Regulation* (via) 438:20	If only item pricing	N	None	N	N	Y but only on shelf tags	N
Massachusetts	Sections 115A and 202 5.00 of Code of Massachusetts Regulations	Small	Y	Food, paper products etc, detergents etc, toiletries.	Y	Y	Y but manufacturer “deal items” exempt	N
Connecticut	Sections 21a-73 to and 21a-75-8 of the Regulations of Connecticut State Agencies	Owner operated single retail stores	Y	Food, paper products etc, detergents etc, toiletries.	Y	Y	Y	Y
New Jersey	Unit Price Disclosure Act and regulations in Sub chapter 14 Unit Pricing of Consumer Commodities in Retail Establishments	Small	Y	Foods, including pet foods; canned and bottled beverages; aluminum and plastic wraps; sanitary paper products; soaps and detergents; toothpaste, mouthwash and hair conditioners.	Y	Y	Y	N
Ireland	SI No 639 of 2002 European Communities (Requirements to Indicate Product Prices) Regulations 2002	Without equipment for printing shelf edge labels or equipment for point of sale scanning	N	None	N**	N	Y but some exemptions	Y
Sweden	Prisinformationslag (Price Information Law) 1991 and	None	Y	Foodstuffs and other products	Y	Y	Y	Y

<i>State/country</i>	<i>Legislation</i>	<i>Exempt retailers</i>	<i>Products specified in detail (Y/N)</i>	<i>Main products specified</i>	<i>UP measurement units specified in detail (Y/N)</i>	<i>UP presentation specified in detail (Y/N)</i>	<i>UP required for products “on special” (Y/N)</i>	<i>UP required on advertisements showing selling price (Y/N)</i>
	Foreskrifter om jamforpriser (Comparison Prices Regulation) 1992 and other Regulations and decrees.							
United Kingdom	Price Marking Order 2004 (SI No 102)	Small	N	Products covered by Weights and Measures Act 1985 and products sold from bulk	N***	N	Y but some exemptions	Y
<u>Voluntary Unit Pricing</u>								
Pennsylvania	none	na	na	na	na	na	na	na
Delaware	National Unit Pricing Regulation* used as a guideline for voluntary adoption by retailers providing unit pricing.	na	na	na	na	na	na	na

* Published in the National Conference on Weights and Measures' Handbook 130. Contains only principles for the voluntary provision of unit pricing, including that a consistent single unit of measure shall be used for the unit pricing of the same commodity even if the package sizes show are in different units of measure. (This principle is required since package weights in the USA can be shown in oz., pounds, etc. and volumes in fl. oz., pints, quarts, etc.). The Regulation seems designed mainly for use by states wish to make unit pricing compulsory. But, it has been adopted, or used as a voluntary guideline, by very few states. The Regulation does not cover monitoring or enforcing compliance. These would be separate matters for consideration by an adopting state.

** units are kg, litre, metre, square metre and cubic metre (but 75cl for wines and 70cl for spirits).

*** normal units are kg, litre, metre, square metre and cubic metre but smaller units specified for many products.

APPENDIX 2: EXAMPLE PRESENTATIONS OF UNIT PRICE INFORMATION ON SHELF LABELS

(Note: These examples are based on my observations at supermarkets visited during the fellowship. They are diagrams not actual shelf labels. To facilitate comparison of the presentation methods, the same product and selling price are used in each diagram.)

Example 1: Presentation* required in several states in the north east of the USA and in Sweden.

The main features of this type of presentation are:

- Font size of the unit price is quite large relative to that of the selling price – generally at least 50 percent.
- The unit price is placed to the left of the selling price.
- The words “unit price” are printed on the label.
- The unit price information is placed on a specified or chosen coloured background.
- The unit of measurement used for the unit price is as specified in the legislation and normally is large, for example per lb or per kg.

<p>DICED TOMATOES 28oz</p>	<p>UNIT PRICE \$0.91 PER POUND</p>	<p>RETAIL PRICE \$1.59</p>
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* This type of presentation (or similar) is used also by some supermarkets in US states where the provision of unit prices is not compulsory and in states where unit pricing is compulsory but presentation is not specified in detail in legislation.

Example 2: Presentation* used by some stores when there are no mandatory presentation requirements.

The main features of this type of presentation are:

- Font size of the unit price is often small relative that of the selling price.
- Unit price is placed below (also sometimes above or to the left of) the selling price.
- The words “unit price” are not printed on the label.
- The unit price information is not placed on a coloured background.
- The unit of measurement** used for the unit price may be small, in this case per oz rather than per lb.

<p>DICED TOMATOES 28oz</p>	<p>\$1.59 5.7c PER OZ</p>
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* Supermarkets often use many variations of this type of presentation.

** However, the unit of measure specified in legislation for a product’s unit price must be used.

ATTACHMENT 2 – CONSUMER REQUIREMENTS

CONSUMER REQUIREMENTS* FOR UNIT PRICING OF PRE PACKAGED GROCERY ITEMS BY AUSTRALIAN SUPERMARKETS (Based on results of Churchill Fellowship undertaken in 2007 to study unit pricing in the USA and Europe and discussions with other Australian consumer advocates)

<i>Requirement*</i>
1. Unit prices must be displayed prominently and clearly on <u>all</u> in store price signs and be located in close proximity to the product - fonts used must be which ever is the greatest of either a specified percentage of that used to show the selling price or a specified minimum size.
2. Measurements used to indicate unit price must be uniform and easily understood and useable by consumers - applies to products sold by weight, volume etc and those sold by count/number/item
3. The same unit of measure must used for all sizes of the same product
4. The unit price must be shown even if the unit price and the selling price are identical - i.e. when the package is the same size as the basic unit of measurement
5. Unit prices must be provided for maximum possible number of grocery products, with minimum exemptions
6. Unit prices must be shown for products sold on “special” or other “promotions” as well as at regular prices
7. Unit prices must shown clearly on printed advertisements showing the price of a product sold by measurement
8. Unit prices must be provided for groceries ordered on the internet as well as those purchased in-store
9. Minimum standards must be set and monitored re. accuracy, measurement units used, etc
10. Initial and on-going consumer education programs must be undertaken

* mainly operational matters for retailers. Regulations, industry codes of conduct, etc would also cover many other matters.