



ALDI Stores
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Responses to Unit Pricing Issues Paper

ALDI Stores welcomes the opportunity to comment on the Issues Paper released by Treasury on Unit Pricing.

ALDI understands that as part of its response to the recent ACCC Grocery Inquiry, the Australian Government intends to implement a mandatory, nationally-consistent unit pricing regime for standard grocery items.

ALDI has taken a leadership position in introducing unit pricing across its Australian store network, which was undertaken at the end of 2007.

The company has consistently supported the adoption of a uniform national system for unit pricing because it believes this offers consumers the greatest benefit.

In relation to the mode of implementation, however, ALDI strongly contends that a mandatory regime must preserve sufficient flexibility to recognise the diversity in grocery retailing models and also be truly 'national' in character, i.e. one system administered by the Australian Government, rather than competing State administered regimes.

All inquiries in relation to ALDI's submission should be directed to:

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How unit pricing works

Q1: What are the main benefits of a unit pricing regime? What savings can be made by consumers? On what basis are these savings made?

Unit pricing provides empirical information to allow customers to compare grocery prices across a range of similar products and between competing brands.

Grocery products and brands may be presented in varying packaging sizes or formats making an on-the-spot calculation of what represents the 'best value' difficult for many customers. Unit pricing is an important tool for consumers to readily calculate comparative prices and value.

According to the Consumer Action Law Centre, the introduction of unit pricing can reduce a weekly grocery bill by 37 per cent.¹ The basis for the savings is identification of a retail price expressed as a standard and comparable unit of measure which prevails over packaging size and format.

Q2: How can the Government maximise the benefits of unit pricing for consumers?

The Government can maximise the benefits of unit pricing for consumers through the introduction of one consistent, national approach which incorporates the broadest base of grocery items. The Government needs to consider the execution of a comprehensive consumer education program for consumers which explains the concept of unit pricing, identifies its key benefits, and how consumers can use this new information. Incorporating information onto the ACCC's GROCERYChoice website would seem a logical place to house reference materials pertaining to unit pricing and its benefits.

Q3: Given current trends and advances in technology, what effect will technology have on a unit pricing scheme?

ALDI operates a single unit pricing system across the European Union and has consistently advocated for a single national unit pricing system to be introduced in Australia. The ALDI Stores unit pricing information technology (IT) platform has been developed to accommodate a single unit pricing model in a particular market.

This single platform for unit pricing forms the basis of our in-store pricing cards plus the online pricing information contained on www.smartershopping.com.au.

¹ Consumer Action Law Centre, Media Release 'Grocery unit pricing can help consumers deal with inflation', 14 February 2008



Should there be the possible development of separate and different unit pricing systems in the states and territories in Australia, this would require a fundamental redevelopment of ALDI's IT systems, would possibly result in a significant increase in the amount of manual intervention required to operate multiple systems, which in turn reduces productivity and can lead to the possibility of increased inaccuracies.

Adopting disparate systems across the country would work to discourage the growth of truly national grocery retailing chains and would create a barrier to entry for new entrants.

Q4: How would consumers be best informed about a unit pricing regime? What information should be incorporated into an education campaign? How can education campaigns be targeted to consumers for maximum benefit?

Consumer knowledge and understanding of a mandatory unit pricing system in Australia is likely to be maximised through a combination of government and industry communication.

For its part, ALDI has undertaken a comprehensive communications program to boost customer knowledge and awareness of its own unit pricing system. A combination of in-store collateral, prominent illustrations in weekly catalogues delivered directly to the homes of customers and online information on www.aldi.com.au have formed the basis of this communications program.

In ALDI's experience, simple illustrations of the application of unit pricing using actual products have proved to be the best approach to explaining unit pricing to customers. For the Government to maximise an education campaign, any communication must be delivered as broadly as possible using the full range of media used by grocery shoppers.

Legislation or Code of Conduct

Q5: What are the key differences and consumer experiences with the different existing approaches?

The ALDI Stores unit pricing model incorporates a basic unit of measure of 100ml / 100g while in certain circumstances, eg fresh meat, cheese and soft drinks, the model allows for the use of a kilogram or a litre to be used as the unit of measure.



The basis of the policy is flexibility to allow ALDI to match the most appropriate unit of measure to the weight, volume or length of most commonly purchased grocery items.

In the 10 months since ALDI's introduction of unit pricing in Australia, the feedback from customers has been overwhelmingly positive.

The vast majority of grocery items purchased by ALDI customers are less than one kilogram and for these items we primarily use 100g/100ml as the basic unit of measure.

Using this unit of measure has been widely accepted by customers for its easy association with the general size of grocery items purchased in-store.

Recent customer research undertaken by Newspoll has found eight out of 10 respondents were in favour of all supermarkets displaying unit pricing. Nearly three quarters of respondents agreed unit pricing would help them save money on their grocery bill. (source: Newspoll 1052 grocery buyers aged 18-64 years)

Q6: Should a unit pricing system be implemented through specific legislation or a Code of Conduct? What are the respective benefits and disadvantages of these methods?

ALDI has consistently advocated for a single national unit pricing system to be introduced in Australia. Some degree of flexibility must be incorporated into the proposed system to allow for variations in the retailing processes adopted by grocery retailers.

Whether in the form of a broad set of industry guidelines or through Commonwealth legislation, we believe there must be a mandated national approach to provide the necessary certainty and consistency for implementation across each state and territory in Australia.

It may be that a Code of Conduct administered by the ACCC would allow for greater flexibility and scope for adaptation as circumstances change. In any case, whatever the vehicle, it will be important that the Government engage closely with industry on detailed scheme design to ensure different retail models are acknowledged.



Display of unit pricing information

Units of measure

Q7: Should all goods be priced using the same unit of measure? Should there be different units of measurement for different goods?

In the 10 months since ALDI's introduction of unit pricing in Australia, the feedback from customers has been overwhelmingly positive. The ALDI system of unit pricing is based on the intuitive UK approach, which has been widely supported by consumers in that country. It is set out in the table below:

ALDI Unit Pricing Guidelines		
Product Format	Weight / Count entry	Unit Price Entry
Weight	12g 125g 1.5kg	per 10g (exception) per 100g per kg
Volume	10ml 200ml 1.5L All alcohol products	per 10ml (exception) per 100ml per litre per 100ml
Length	10cm 20m	per cm (exception) per m
Multipak with declared weight or volume per individual pack	2 x 700g (1.4kg) 6pk/300g 2x2.5kg (5kg) 6x100ml (600ml) 4x2L (8L)	per 100g per 100g per kg per 100ml per litre
Multipak with <u>no</u> declared weight or volume per individual pack	2pk 4pk 200pk	per unit per unit per 100 units
Individual unit with no declared weight	each	not needed
<ul style="list-style-type: none"> All Fresh Meat products display the unit price as per kg. All Cheese products display the unit price as per kg. All Soft Drinks products display the unit price as per litre. 		

The ALDI Stores unit pricing model incorporates a basic unit of measure of 100ml / 100g while in certain circumstances, eg fresh meat, cheese and soft drinks, the model allows for the use of a kilogram or a litre to be used as the unit of measure.

The basis of the policy is flexibility to allow ALDI to match the most appropriate unit of measure to the weight, volume or length of most commonly purchased grocery items.

Our first-hand experience supports the proposition of using 100ml as the basis for the unit of measure.



The vast majority of packaged grocery items are presented in formats between approximately 100g to 500g. Expression of a unit price in per kilo terms could actually confuse rather than aid consumers. The multiplication required is likely to be so large as to be meaningless and could actually deter shoppers with a unit price that seems very high – shoppers may become distracted by the size of the unit price, disregarding the actual price and value of the product, which may be up to 200 times smaller than the unit price displayed. This proposition is illustrated in the following table of selected examples:

Description	Weight / Count	Retail	Unit Price 100g/ml	Unit Price 1kg/litre
Jelly	85g	\$0.39	\$0.46	\$4.59
Instant Gravy	120g	\$2.29	\$1.91	\$19.09
Chewing Gum	4pk/88g	\$2.29	\$2.61	\$26.03
Spice Shakers	115g	\$1.99	\$1.10	\$110.00

Q8: Which goods (if any) require a different unit measure? If any, what should this measure be?

Attached is a copy of the UK *Statutory Instruments 2004 No.12 Prices Schedule One* which identifies the relevant units of quantity for specified products for the purpose of the definition of unit price.

The key unit of measure used in the UK is 100g/100ml with herbs, spices and some other exceptional products being measured in 10g/10ml where appropriate.

In Australia, the ALDI Stores unit pricing policy noted above in Q7 varies in a small number of instances from the UK model, but a similar schedule should be developed in Australia to provide retailers with guidance on which unit of measure would be appropriate for particular product categories.

Q9: Should there be lower boundaries on the value or size of unit priced products? If so, what should these boundaries be?

Boundaries on value and size of unit priced products should not be considered. ALDI strongly believes that the most effective system with the greatest benefit to consumers is achieved when all grocery items are included.



Q10: In the future, how should goods requiring a different unit of measure be determined?

General guidelines as mentioned in Q8 above would provide sufficient guidance to grocery retailers when identifying which product category to select.

Size of unit pricing information

Q11: Should the presentation of unit pricing be prescribed?

The ALDI Stores price cards used in-store for display of retail and unit prices are among the largest pricing displays in the grocery industry in Australia.

Each retailer has their own particular style of displaying a retail price and ALDI Stores believes flexibility of format for pricing display should be worked into any draft legislation or ACCC-administered code of conduct.

Overly-prescribing the presentation of unit pricing runs the risk of imposing substantial additional costs on retailers which, in turn, could be passed on to consumers in the form of higher prices which would subvert the rationale of the initiative.

Q12: How prominent should a unit price be? What aspects of unit pricing displays (including in-store and online and print advertising) should be prescribed?

To provide some context for the style in which ALDI has implemented unit pricing, attached are some examples of ALDI Stores price cards used in Australia.

When printed on A4 paper, they approximate the actual size of the in-store pricing card. ALDI is of the opinion this pricing format is simple and clear and meets the needs of customers.

Attached also are some pages from recent ALDI Stores catalogues which also demonstrate how the unit price is displayed. For reasons of efficiency and cost, ALDI's view is that flexibility in displaying the unit price must be incorporated into any draft legislation or code of conduct to allow for formatting differences adopted by different retailers.



Scope of retailers to be included

Q13: Should any retailers be exempted from a unit pricing regime? If so, which retailers?

ALDI Stores believes for unit pricing to achieve the maximum benefit for customers undertaking grocery shopping anywhere in Australia, every shopping outlet selling grocery items must comply with unit pricing.

Once specific exemptions are incorporated into legislation, ALDI contends that the true customer benefit of unit pricing would be diluted. ALDI understands that even the smallest retailers today maintain product pricing information in computerised formats. For this reason, we see no reason why even the smallest retailers should be exempted from unit pricing.

Q14: On what basis should exemptions be made (if any)?

As set out above in response to Q13, ALDI does not believe there is a convincing case for exemptions for certain categories of retailer from the unit pricing regime. All grocery retailers should be encouraged to adopt unit pricing.

Packaged grocery items to be included

Q15: Should the same units of measure be required for packaged goods as unpackaged goods?

A unit of measure for all goods, whether packaged or unpackaged, can be determined and displayed. General guidelines should be put in place as the metric system allows for easy comparison.

The ALDI Stores unit pricing model incorporates a basic unit of measure of 100ml / 100g while in certain circumstances, eg fresh meat, cheese and soft drinks, the model allows for the use of a kilogram or a litre to be used as the unit of measure.

The basis of the policy is flexibility to allow ALDI to match the most appropriate unit of measure to the weight, volume or length of most commonly purchased grocery items.

Q16: Which goods (if any) should be exempted? On what basis would exemptions be made? How would any future exemptions be determined?

ALDI Stores believes for unit pricing to achieve the maximum benefit for customers undertaking grocery shopping anywhere in Australia, there should be as few exemptions as possible.



A unit of measure for all goods, whether packaged or unpackaged, can be determined and displayed. We believe all grocery items should have a unit price.

Enforcement

Q17: Would any additional powers be required by the enforcement agency in order to effectively enforce a unit pricing scheme?

To ALDI's knowledge, no additional powers would be required.

Compliance Costs

Q18: What extra costs would be involved for businesses to comply with a national mandatory unit pricing scheme?

Of grave concern to ALDI Stores is the possible development of multiple unit pricing systems being proposed at both a state level and a national level.

The ALDI Stores business approach is one of simplicity and productivity. If one or more states in Australia were to implement a unit pricing system which differed from a proposed national scheme, ALDI would be required to essentially operate different unit pricing systems in each market. This would introduce inefficiency for ALDI and all grocery retailers and as a result additional costs being passed through to consumers.

The duplication of systems sits uncomfortably with ALDI which aims to streamline operating processes to minimise overheads and deliver to customers better value grocery items.

In July 2008, in the ALDI submission to the Queensland Fair Trading Policy Branch which is considering the introduction of unit pricing, ALDI strongly advised the Queensland government to consider deferring to COAG and developing a national approach.

The possible development of separate and different unit pricing systems in the states and territories in Australia would possibly result in a significant increase in the amount of manual intervention required to operate the systems which in turn reduces productivity and can lead to the possibility of increased systems inaccuracy.

We remain firmly of the opinion a national system provides the best opportunity for maximising economies of scale and cost when implementing a unit pricing system for the benefit of Australia's grocery shoppers.



Q19: What effects would this have on prices of grocery items?

In 2007, ALDI successfully introduced unit pricing throughout its 150 stores. The implementation was undertaken via regular business operations at minimal cost with no disruption to customers.

Leveraging economies of knowledge from other parts of the ALDI global business contributed to minimising costs of implementation with no resulting price adjustments to grocery items.

Transitional Arrangements

Q20: How long would it take for retailers to prepare for a mandatory unit pricing regime?

Depending on the scope and scale of any proposed changes to the existing unit pricing policy adopted by ALDI Stores, any such changes would be made as quickly as possible.

Q21: Would any transitional arrangements be required?

Given ALDI Stores already has an operational unit pricing system, per Q20 above, we believe any changes could be implemented as quickly as possible subject to the scale and scope of the proposed changes.