



Competition and Consumer Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Attention: James Chisholm

CHC Submission – Unit Pricing Issues Paper

Thank you for the opportunity to make a submission to the above consultation paper.

The Complementary Healthcare Council (CHC) is the leading expert association exclusively committed to a vital and sustainable complementary healthcare products industry. We are unique in representing all stakeholder groups in the industry. Our members include importers, exporters, marketers, manufacturers, raw material suppliers, wholesalers, distributors, **retailers**, practitioners, consultants, direct marketers and consumers.

The CHC has taken a particular interest in this proposal due to its inclusion of complementary healthcare products including medicines. The CHC advocates for a range of retailers who we consider would be detrimentally affected by mandatory unit pricing.

Recommendation

The CHC recommends that the introduction of mandatory unit pricing be deferred to enable further assessment of the impacts which we do not consider have been fully identified or evaluated.

The CHC believes the introduction of the proposed scheme as outlined in the *Unit Pricing (Easy comparison of grocery prices) Bill 2008*:

- does not clearly articulate the scope of the application of the legislation;
- places an onerous economic burden on many retailers; and
- does not consider the impact on consumers in influencing their healthcare decisions particularly in relation to quality use of medicines (under the National Medicines Policy).

Although not specifically referenced in the proposed definition the CHC recommends that complementary medicines be exempted from the definition of 'grocery products'. We note that 'pharmaceuticals' are referred to, however, neither industry nor consumers would identify complementary medicines (also regulated as therapeutic goods under the *Therapeutic Goods Act 1989*) under this category of goods. The characteristics of complementary medicines cannot be compared with OTC pharmaceuticals to which unit pricing could more easily be applied (in our opinion). We note that 'pharmaceuticals' are medicines usually comprised of a single distinct chemical entity used for a specific medical indication and manufactured to identical quality standards – the application of unit pricing is more applicable as it is (generalising) branding that distinguishes the products. However, this is not the case with most complementary medicines where there is a large range of formulations for many therapeutic indications and claims and where product substitution (particularly based on price) is not useful to health outcomes. We draw to your attention that

a sponsor of therapeutic goods (including complementary medicines) may only market medicines for those indications and claims for which they hold the evidence.

In addition, complementary medicines are 'retailed' across a range of channels not just in grocery type stores. For example, supermarkets, pharmacy, healthfood stores, specialist complementary healthcare (eg supplement) suppliers, direct sellers as well as healthcare practitioners. Will the Bill apply to healthcare practitioners who also retail some complementary medicines and not other grocery items?

The CHC considers the impost of a mandatory scheme to be onerous without further assessment of the impacts. For example, no consideration has been given to how different models of retailing therapeutic products assist consumers with their product selection. Healthfood stores are generally modelled on providing a large range of products including complementary medicines for which unit pricing would add to consumer confusion as individual products will largely not have substitute products to compare with. Another example includes a range of health product stores nation-wide that would not only be required to change their business model which includes personal assistance to consumers but also completely re-fit out each store to comply as the stores currently do not display product prices on shelves. The CHC does not consider that the 'one off' cost to implement was intended to extend to this level of burden which in any event is unlikely to be achievable within the proposed 12 month implementation period.

Specific Comments

Which goods (if any) require a different unit of measure? What should this measure be?
(Page 4)

The CHC would encourage the exemption of Complementary Medicines from mandatory unit pricing. Our understanding of the unit pricing bill is that it facilitates a "comparison tool of convenience for consumers". This poses a challenge within the area of complementary medicines, as like can often not be compared to what appears to be like. For example multivitamins manufactured by different companies will contain a variety of different vitamins of varying strength for different population groups (eg women's, men, children, over 50's). This means that one multivitamin may have quite different therapeutic benefit to the other and so, can not be compared to another nor should be substituted for price considerations as this is not relevant. What would each medicine be compared with – others with exactly the same claim?

Should any retailers be exempt from a unit pricing regime? If so, which retailers? On what basis should exemptions be made? (Page 5)

The CHC understands that many stores would be exempt under the current proposal for example, the average size of a health food retail store (approximately 83.5m² according to Health Minders Survey 2008). However, the CHC does not agree that the exemption should be limited to 'single premises shops' as the issues faced by the single store can also apply to a business with multiple stores eg, the stock levels held in a small area and comparatively low margins to the major retail outlets as well as different business model focussing on individual consumer needs.

The CHC raises the following concerns should health food/supplement stores be captured in the proposed mandatory unit pricing bill.

1. Due to the size of much of the product stocked by health food retailers (a bottle of vitamins), the very nature of a health food store is quite cluttered at first glance. The addition of a unit price to the shelf talker, in a 10 point font, could in fact create further confusion to consumers due to the merchandising requirements of such products. This would then defeat the purpose of “clearly visible and legible” signage to which the bill is aspiring.
2. Many health food retailers still utilise pricing guns to price each individual product in store with no shelf talkers on display. For these retailers the implementation of unit pricing is not as simple as replacing existing signage, but would involve modification to current store protocols and systems along with the cost involved with fitting the store with shelves appropriate for shelf talkers. Most of these stores are owner operated with few staff with any additional regulatory requirements adding to the commitments as these cannot be defrayed through engaging additional staff.
3. Many retail outlets, particularly franchised stores, have purposely created a store model which is not based on shelf talkers. This store model is fundamental to the consultative nature of the stores, encouraging conversation and interaction between consumer and staff. The mandatory introduction of unit pricing would alter the fundamentals of these businesses.

How long would it take for retailers to prepare for a mandatory unit pricing regime? Would any transitional arrangements be required? (Page 7)

The time and effort required for implementation of mandatory unit pricing for health food retailers would vary greatly from store to store. Those already utilizing automated, computerised shelf ticketing would find the transition less challenging. However, the CHC has highlighted concerns for those retailers who still rely on pricing individual products with price guns or have a store model purposely designed without shelf talkers.

It is these retailers who would require far greater assistance and time in the implementation phase. Some will require additional time to source and train in new technology and others may need to modify the fundamentals of their store model and philosophies.

Unlike large grocery chains (eg Woolworths) that are sustained by the consumers buying their staples complementary healthcare products retailers are subject to the vagaries of the economic climate as these products largely fall into the discretionary spending category. The industry is already feeling the affects of the global economic crisis and increasing the regulatory burden at this time without substantial benefits to consumers is not supported by the CHC at this time.

What extra costs would be involved for businesses to comply with a national mandatory unit pricing scheme? What effect would this have on price of grocery items?

The CHC would like to draw to attention the following areas in which the compliance of the mandatory unit pricing bill would create additional costs to some health food retailers. Due to the small size of these stores, it would be inevitable that these costs would be passed on to consumers through an increase in margin.

1. Printing and fit out of new shelf talkers to accommodate mandatory requirements would not be a one off out-lay. Product selection, planograms and price are continually changing. With each of these changes new shelf talkers would be required at an additional cost to the health food retailer.
2. The introduction of technology or upgrades of existing technology may be required for some retailers.
3. In store redesign could be required should the stores current store model or shelving not have the capacity for the required information.

The CHC would welcome the opportunity to discuss any matters relating to this submission. If you require further information please do not hesitate to contact me.

I look forward to further information on the outcomes of this consultation process.

Yours sincerely



Trixi Madon
Technical Director

20 October 2008