

Mr. James Chisholm
Competition and Consumer Policy Division
The Treasury

October 6, 2008

Dear Mr. Chisholm:

We applaud your efforts to develop a unit pricing system for the Australian marketplace and appreciate the opportunity as academic researchers to communicate our opinions regarding the components of an effective system. We briefly speak to two key issues below.

Consumer Education. While unit pricing may appear to be a straightforward concept to those of us who are studying the topic, research conducted during and after the introduction of unit pricing in the United States has revealed that, without a comprehensive consumer education program, the majority of consumers will not benefit from providing this information. In the United States, consumer education regarding unit pricing is very limited. In one study we conducted, only about half of adult consumers in a large U.S. metropolitan market were able to accurately explain at least one way that unit prices could be used. Accordingly, we strongly encourage Australian regulators to incorporate consumer education into your launch of unit pricing and to sustain the program over time as new consumers (i.e., young adults and immigrants) enter the Australian marketplace. Such a program could include: targeted public information campaigns originating from government, industry organizations, and individual retail firms; in-store information available to shoppers regarding possible uses of unit prices; and inclusion of basic unit pricing concepts in appropriate classrooms and textbooks.

Unit pricing can be used in a variety of ways. Often, it is assumed that unit prices are only used to identify the least expensive option across brand sizes or within a product category. Our research indicates that consumers may use unit prices in several other ways, including the evaluation of packaging alternatives, selection of more expensive (and potentially higher quality) or moderately priced options, avoidance of quantity surcharges (the opposite of quantity discounts), and of course, an overall effort to maximize benefits for each dollar spent. Thus, when designing a consumer education campaign (as well as when analyzing the impact of unit pricing), we encourage you to avoid a myopic view of unit pricing as only a means for consumers to expend the least amount possible while maximizing the quantity purchased.

Format and Presentation of Unit Price Information. We also encourage you to carefully consider how unit prices will be presented on shelf labels. Our experience in researching this topic suggests that small differences in formatting and presentation can result in surprisingly large differences in consumers' awareness, understanding, and use of this information. To make this information more useful to consumers, unit prices need to be not only accurate, but presented in: (1) a consistent fashion across brands, sizes, product categories, and retail firms; (2) a sufficiently large and easily readable font; (3)

comparable units across brands and sizes in a particular product group; (4) a prominent fashion insuring that the unit price appears in an uncluttered portion of the label and including a common background color to highlight the unit price information. It is also essential that differences in unit price presentation on shelf labels between retail firms are minimized so that consumers can develop clear expectations regarding the location, format, and presentation of unit prices. Such efforts will reduce the time and cost associated with the use of this information and will likely lead to wider consumer use of unit prices within Australia. Finally, it would be prudent to consider emerging technologies such as electronic shelf labeling, wherein information (including prices, unit prices, quantity information, etc.) can be presented on a small LCD display for each stock keeping unit and coordinated with the price at the register. Such displays may have certain limitations with respect to size, readability, etc. that could interact with your unit pricing regulations.

In closing, we applaud you for proceeding carefully and developing an overall system that will maximize the value of unit price information to the Australian market. Hopefully, Australia's unit pricing system can become a model for other countries to emulate.

Sincerely,

Kenneth Manning, Ph.D.
Professor of Marketing
Colorado State University

Anthony Miyazaki, Ph.D.
Associate Professor of Marketing
Florida International University

David Sprott, Ph.D
Associate Professor of Marketing
Washington State University