



A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland

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SUBMISSION TO FEDERAL GOVERNMENT'S UNIT PRICING ISSUES PAPER

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GENERAL COMMENTS

QCA welcomes the federal government's decision to introduce a national, consistent unit pricing regime and to consult via this issue paper on the details of such a regime.

A high quality consumer and benefits focused national unit pricing system will produce major ongoing benefits for Australian consumers and the economy.

To achieve these benefits we must recognise that the provision of high quality unit pricing information represents a major change in the ability of consumers to assess value for money. It can revolutionise consumer decision making. To achieve these benefits we must also recognise the need to make major changes to current practices, attitudes and thinking. This applies particularly to the presentation of unit pricing and other information on supermarket shelf labels.

How well unit price information is provided to on shelf labels will critically effect consumer awareness, and use of, unit prices. We must be prepared to make major changes to the presentation of information on shelf labels to ensure that the unit price information is easy for consumers to recognise and use. This may require major changes

to the presentation of other information on shelf labels, including change in size and location.

We must not be driven by a desire to make the minimal changes to existing labelling. We must be driven by the benefits which will arise from getting it right. We must not be driven by a desire to minimise implementation costs and ignore the effects this will have on consumer use and the ongoing benefits obtainable by consumers and for the economy as a whole.

The extent to which providing unit prices for packaged grocery items will be revolutionary can be assessed by considering how consumer decision making and thinking about value for money etc would change if the price per kg was not provided, in addition to the weight and the selling price, on random weight packages of meats in the chiller sections of supermarkets. The provision of such information is required by state legislation. Without such information consumers would either have to make their own calculations of unit prices or make decisions uninfluenced by the unit price. Obviously, this would be inefficient and result in sub-optimal decision making by many consumers. Yet this is the current situation for most pre-packaged grocery items bought by consumers.

Consumers make extensive use of the unit price information which currently must be provided on packages of fresh meat (and some other food products). It is used to compare: package sizes; similar products; different but potentially substitutable products; and packaged and unpackaged products. When consumers are provided with unit price information for other packaged grocery products they will use it in similar ways - but only if the information is presented to them effectively and effective consumer education is provided.

Australia has the opportunity to establish a world class unit pricing system by using the best features, and taking account of the experiences, of unit pricing arrangements overseas.

To a large extent this has already been done as reflected in Senator Fielding's Bill and the Queensland Government's draft unit pricing regulation. **The Queensland Bill is particularly important, and with some modifications, should be used as the template for a national system.**

QCA has provided considerable input into the consultations on these pieces of legislation and to the ACCC grocery price inquiry. Most of these are publicly available and should be considered during this consultation process. So too should be the report on unit pricing in the USA and Europe prepared by QCA member Ian Jarratt in 2007. It is available from www.churchilltrust.com.au under the business section.

COMMENTS ON QUESTIONS IN THE ISSUES PAPER

For more detailed answers to many of the questions refer to QCA's submissions etc to previous enquiries.

What are the main benefits of a unit pricing regime?

Easy comparison of sizes, brands, products, product forms, types of packaging, packaged and unpackaged, and prices between retailers. This will lead to savings in expenditure, better value for money, reduced shopping time, and greater competition. There may also be health and environmental benefits. This will occur if consumers become more price sensitive and savvy because of the use of unit pricing.

What savings can be made by consumers?

The extent of savings will vary according to how consumers use unit pricing information. Potentially, unit pricing could result in annual reductions in total expenditure across the economy as whole. Other increases in consumer welfare will also accrue, such as helping to curb price inflation.

On what basis are these savings made?

Reduced overall expenditure and more value for the same money.

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

By ensuring that the national system is compulsory, uniform and high quality so that it is very easy for consumers to use for intra and inter store price comparisons. And by ensuring that consumers are educated about how to use the information and that retailer compliance with standards is monitored and enforced.

For example, in New Zealand where unit pricing is voluntary, it appears errors creep into the unit pricing information provided by supermarkets. Ian Jarratt, a member of our Association, recently noted this on a visit to New Zealand. The appropriate regulator in that country,¹ has now issued a compliance advice letter relating to breaches in three stores.

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

Given growth in internet selling it is essential that the system covers this form of retailing as well as traditional in store buying.

The possible growing use of electronic shelf labels should not have any major effects on the specification of the system or retailer ability to comply (if anything, it should make it simpler). Electronic shelf labels are used successfully with prescriptive unit pricing systems in Connecticut and Sweden and probably in other places too.

¹ Fair Trading Branch, Commerce Commission

How would consumers be best informed about a unit pricing regime?

A publicly funded education campaign is needed plus in store provision of effective information by retailers. The timing of this is important and should be related to the date when retailers must implement unit pricing and possible early implementation by any retailers.

What information should be incorporated into an education campaign?

As a minimum consumers must be made aware of the existence of unit price information and how it can be used.

For example, several states in the USA with compulsory unit pricing systems prescribe that:

- the unit price information must be displayed in a large type on a specific coloured background;
- for the information to be located in a specific place on shelf labels (top left);
- for the words “unit price” to be placed above the unit price facilitated the education process.

This information needs to be conveyed to consumers.

How can education campaigns be targeted to consumers for maximum benefit?

See above.

The campaign, given the subject matter and target audience, would need to be directed to the mass market. Television, radio, newspaper and bus/tram advertising could all be explored as possible mediums.

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

Research overseas indicates clearly that the quality of the system greatly influences consumer awareness and use of unit pricing and thus the benefits obtained by consumers and the economy. Poor presentation of the information, poorly chosen units of measurement and inaccurate prices, all greatly reduce consumer awareness and use. They also reduce consumer confidence in the system.

This is the case in New Zealand, some parts of the United States and some parts of Canada where unit pricing systems are not clearly prescribed. Units of measures are too small, fonts are too small and there are often errors in the displayed prices. As a result, unit pricing is of little value to consumers.

QCA is concerned and surprised by the statement made by some retailers during the Senate Inquiry, that they had not undertaken any in depth research on the systems they have introduced or are trialling. Accordingly, QCA questions the ability of retailers to

provide reliable information on many questions regarding the best approaches for consumers.

QCA considers that the federal government should commission independent research involving consumers to investigate and report on different approaches likely to have major impacts on consumer awareness and use of unit pricing, especially how the information should be presented on shelf labels.

QCA's research suggests that the presentational requirements of Massachusetts and New Jersey are very effective for consumers – large print size, uniform coloured background, uniform location on labels and printing of the words “unit price”.

Until the results of independent research on this issue are available for consideration by consumer bodies, QCA considers that the Queensland Government's draft regulation - with some modifications regarding presentation and exemption for multibuy - should be used as the template for an Australian system.

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?

Unit pricing will involve monitoring and enforcement activities, similar if not identical to, those already undertaken by state and territory trade measurement officers for existing other grocery and unit pricing regulation. Also, it is essential that new unit pricing legislation complements and is not in conflict with other existing trade measurement legislation. Therefore, QCA considers that a national system should be contained in and be implemented via specific trade measurement legislation, for example the new National Measurement Act.

Including in specific legislation such as the National Measurement Act is probably preferable to a Code, so that like regulation is contained in the same place, rather than dispersed in different legislative instruments.

In saying this, we assume that:

- the penalties for breaches of the legislation would be as wide ranging as those available under the Trade Practices Act 1974;
- enforcement of the legislation would rest with the ACCC, who with appropriate resourcing, would be well placed to enforce these laws.

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

For the reasons presented in other submissions, QCA considers that the basic units of measurement should be as proposed in the draft Queensland regulation for products sold by measurement or count.

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

These matters are well addressed in the draft Queensland regulation for products sold by count and products for which the unit price would be above \$99 per unit of measurement.

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

An alternative to the arrangements in the draft Queensland regulation could be to specify a special unit of measurement eg per 100gm for certain types of products eg herbs and spices which are normally sold in very small quantities and for which there are few substitutes.

This approach would result in all package sizes of these products having a unit price with the same unit of measurement which facilitates price comparisons. However, if this approach is adopted it should be used very sparingly to ensure that consumers are not presented with a wide range of measurements for many products.

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

By the normal process by which proposals for regulatory changes are made and considered. This is not a significant issue.

Should the presentation of unit pricing be prescribed?

YES. This is the situation in several states in the USA and in Sweden and possibly also in other EU countries. It has not caused problems there and results in a high quality uniform system which is easy for consumers to use and for educational campaigns to promote.

How prominent should a unit price be?

The minimum requirement is that a consumer with average eyesight must be able, from the standing position, to easily read all unit prices on price signs. This includes shelf labels on the bottom and top shelves. Anything less will greatly reduce consumer awareness and use of unit pricing, and will be completely unacceptable to consumers. The need for the information to be prominent was highlighted by the Chair of the ACCC at the hearing. Woolworths also supported that view and assured the Chair that the font size at the trial was large enough or would be made so. So far this has not happened.

QCA supports the provision in the draft Queensland regulation that the minimum size of the print for the unit price be the greater of 10mm or 50% of the size of the selling price print.

What aspects of unit pricing displays (including in-store and online and print advertising) should be prescribed?

QCA supports the provisions in the draft Queensland regulation, with three modifications. These are:

1. the use of coloured backgrounds for the unit pricing information on shelf labels and other in-store price signs. (This is the system in place in Massachusetts and New Jersey and works extremely well);

2. be located in a specific position (especially on shelf labels); and
3. be accompanied by the words “unit price”.

Such a system would provide consumers with a high quality uniform system and facilitate high levels of use.

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

QCA supports the inclusions and exemptions in the draft Queensland regulation.

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

Yes. See our previous comments. Exemptions should be as limited as possible.

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

QCA supports the exemptions in the draft Queensland regulation except for the multibuy exemption. Price signs for multibuys should always show the unit price for the multibuy offer (eg 3 for \$5) and also the unit price of a single item from the display if this is not the same as the unit price of the multibuy.

This is required to ensure that consumers have readily available information about the unit price of the offer to compare with other sizes etc. This is required in Massachusetts and New Jersey, even when the multibuy involves more than one package size of the product. This is important because retailers in Australia are making much greater use of multibuys.

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

A wider range of penalties for non compliance should be available. These include administrative fines and enforceable undertakings. These options are not currently available for breaches of trade measurement regulations (see our comments about whether the legislative power should be in the TPA or a Code also).

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

QCA considers that cost must not be considered independent of benefits and that account must be taken of the fact that most costs will be one off whereas the benefits will be ongoing.

QCA also considers that retailer estimates of implementation costs should be closely scrutinized and where necessary justifications be requested.

QCA also considers that the cost estimates of retailers who have introduced unit pricing systems after the federal government’s decision to have a national system should be appropriately adjusted.

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

We provide no comment on this, other than that the unit pricing system should be introduced as soon as possible, but not if this means a substandard system or excessively high costs. As noted earlier a concentrated implementation process will also facilitate and increase the effectiveness of consumer education programs.

COMMENTS ON STATEMENTS IN THE ISSUES PAPER

The Paper says:

1 “Unit pricing does not capture differences in quality, so its main benefit is in comparing the prices of two different sizes of the same brand. As a result, size switching within a particular brand is more likely than brand switching. However unit pricing would make direct comparisons between quantity and quality combinations easier.”

QCA wishes to emphasise that size switching between brands is only one use. there are many more. We do not agree that brand switching will be less important. Other uses can be very important, but will be influenced by the type of system and education. If the education campaign focuses only on switching size within brand the benefits will be greatly reduced.

2. “U.S. states with mandatory unit pricing schemes are: Connecticut, Massachusetts, New Hampshire, New Jersey and New York. Delaware and Pennsylvania have established voluntary unit pricing regimes, with Delaware using the National Unit Pricing Regulation as a guideline for voluntary adoption by retailers providing unit pricing. Unit pricing is practiced by some retailers in other jurisdictions (such as in Maine), but there is no regulation; it is a strictly voluntary practice (<http://maine.gov/legis/lawlib/whatis.htm>).”

QCA’s research suggests that in the USA the following states also have compulsory unit pricing Maryland, Vermont, Oregon and Rhode Island and that unit pricing in Delaware and Pennsylvania is voluntary but there is no state regime or legislation. However, some other states where unit pricing is entirely voluntary have formally adopted the national regulation (for example, West Virginia) and some other states with voluntary unit pricing, eg California and Florida, have unit pricing legislation.

3. “The European Union (EU) introduced legislation in 2002 which included regulating the labelling and advertising of the pricing of goods, and mandating unit pricing displays.”

QCA’s research suggests that the EU directive requiring the display of unit prices was adopted in 1998 and implementation by 2002 was eventually required.

4. “Aldi currently uses 100 gram or 100 millilitre measures for its unit pricing.”

QCA notes that Aldi uses several more units of measurement and requires the use of kg for all packages of some products eg petfoods and litres for all packages of some products eg soft drinks.

5. “Higher units of measure may more clearly illustrate price differences. However, they may lead to very large prices for goods sold in very small quantities.”

QCA notes that consumers already cope perfectly well with high unit prices \$/kg for some meats, fish, cheese etc.

The approach adopted in the Queensland legislation, as set out elsewhere, addresses this issue.

6. “In addition, some products may contain less than the standard unit of measure, which may lead to confusion for some consumers. For example, if 100 gram is the specified unit of measure, a 50 gram packet of spice is priced at much less than the unit price.”

QCA notes that consumers are already used to this and cope perfectly well with this situation now for purchases of less than 1 kg for products which must be sold per kg. Meat prices are an example. In these cases, consumers still use the unit price perfectly well as a comparison tool.