



12<sup>th</sup> December 2018

**Unit Pricing Code Consultation Paper**  
**Consumer and Corporations Policy Division**  
**The Treasury**  
**Langton Crescent**  
**PARKES ACT 2600**  
[UnitPricingReview@treasury.gov.au](mailto:UnitPricingReview@treasury.gov.au)

## **AACS submission re: public consultation on the review of the Retail Grocery Industry (Unit Pricing) Code of Conduct**

To whom it may concern,

On behalf of members of the Australasian Association of Convenience Stores (AACCS), the peak body for the convenience industry in Australia, we make the following submission in response to the public consultation regarding the review of the Retail Grocery Industry (Unit Pricing) Code of Conduct.

The AACCS acknowledges that, under the current applications of the Code, convenience stores are exempt, having less than 1,000 square metres of floor area dedicated to the sale of grocery items.

The purpose of our brief submission is to demonstrate why this exemption for small retailers like convenience stores should be maintained, and to highlight the potential costs and impacts related to the imposition of new regulations on small businesses.

We understand that the objective of the discussion paper is to obtain feedback from stakeholders as to whether the existing unit pricing Code should continue as is under the *Competition and Consumer Act 2010*.

From our perspective, we agree with the proposal to leave the Code in operation unchanged. We would vehemently oppose any new imposts on small businesses in the form of new regulations which add to the already high cost of doing business.

Small businesses do not need more regulations and more complications. Hypothetically, requiring convenience stores to comply with the unit pricing Code would potentially lead to small business owners – at their own expense – having to update their point-of-sale systems or alternatively, implement software upgrades.

Such measures would represent significant additional costs to these small business owners. Further, compliance with the unit pricing Code is unnecessary and irrelevant to the convenience store environment.

Convenience customers have, in choosing to shop in our stores, already made the decision to pay a little more for a typically smaller basket of items for the convenience we offer, being generally open 24 hours, 365 days per year.

The convenience industry is comprised largely of small businesses and the AACS advocates for a level playing field for these businesses in their efforts to compete with the major grocery chains.

The imposition of additional regulations on small businesses makes it harder for them to compete with the larger grocery chains.

Thank you for your consideration of our submission.

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## About the AACS

Established in 1990, the Australasian Association of Convenience Stores (AACS) is the peak body for the convenience industry in Australia.

Nationally, our industry employs over 40,000 people in over 6,300 stores. The majority of these stores operate as family run businesses, often under licence or franchise agreement, or independent ownership. They regularly employ family members and people from the local communities in which they operate.

The AACS represents the interests of these small businesses; their owners, staff, suppliers and customers.

The convenience industry in Australia was valued at approximately \$8.4 billion (excluding petrol sales) in 2017 according to companies contributing to the *2017 AACS Annual State of the Industry Report*. This report contains the most comprehensive information available on the convenience industry in Australia and we would be happy to provide a copy.

As an Association we enjoy strong ties with our international counterparts including the convenience stores associations in the US, Canada, the UK and New Zealand. We also visit similar stores in South East Asia to keep abreast of changing or emerging trends. For instance, 35 of our members have just returned from China where we visited a number of stores and leading innovative companies such as Alibaba and JD.com.

## Response to the Discussion Paper

In this section, the AACS responds to select questions included in the Discussion Paper.

### **Question: What are the typical ongoing compliance costs for retailers to maintain unit pricing?**

Convenience stores, at this time, are exempt from the Code. We strongly believe small businesses like convenience stores should remain so.

Therefore, our response to this question is based on the likely costs for small businesses like convenience stores to comply with additional regulations related to unit pricing.

An amendment to the Code for it to apply to convenience stores would have considerable financial implications for these small business people.

These people, at their own expense, will likely be required to update point-of-sale systems and/or implement software upgrades to ensure compliance with the Code. For those people who may operate more than one convenience site, the cost imposition is increased.

Additional costs related to staff training and labour resources, labelling and supplier frustration would also potentially impact small businesses should they be required to comply with the Code.

### **Question: Have there been any changes in the structure of the market influencing the effectiveness of the Code?**

The Discussion Paper notes that the market share of the four major grocery chains the Code applies to, being Woolworths, Coles, Metcash and Aldi, enjoy a combined estimated share of the grocery market of 85% as of 2018.

In 2012 this figure was 82%, meaning the major grocers have actually increased their share of the total grocery market at the expense of smaller retailers.

This is a strong reason to avoid imposing additional costly regulations on small businesses as they work to compete with the larger chains.

### **Question: Should smaller retailers (under 1,000 square metres) be required to comply with the code?**

The AACS strongly opposes any amendment to the Code which would force small businesses like convenience stores to comply with unit pricing.

Since the Code has come into effect, the combined market share of the major grocery chains has actually increased, and the imposition of additional costs to small businesses would only harm their efforts to compete with the larger chains.

The AACS believes the determination of the Unit Pricing RIS in 2008, as outlined in the Discussion Paper, remains relevant:

*“The 2008 Unit Pricing RIS concluded that unit pricing should be limited to larger supermarkets rather than specialist retailers or small supermarkets.*

*“In forming this conclusion, the RIS suggested that compliance costs for smaller businesses of implementing unit pricing were likely to be higher than larger businesses. Small business costs were identified to include new systems to replace older, more inflexible software that did not allow for unit pricing or hand-labelling practices (i.e. attaching price stickers to products).*

*“In addition, the RIS commented that the overall benefits to consumers from unit pricing in smaller businesses were less as these businesses were likely to specialise in a small range of items (e.g. health food, meat or fruit and vegetables) and consumers purchased a small range of items or spent a smaller proportion of their household budgets at these stores.”*

This conclusion remains as, if not more, applicable today.

## Conclusion

The AACS believes the unit pricing Code should continue to operate unchanged, particularly in terms of the exemptions applied to small businesses like convenience stores.

Amending the mandatory Code to include smaller retailers would impose additional, significant and unnecessary financial imposts on these businesses.

We welcome the opportunity to be involved in the consultation process for this Review in any way the Department see fit.

We would especially seek involvement in the consultation process should changes to the exemption of convenience stores to the Code be considered. Too often small businesses bear the brunt of additional regulations when the level of consultation with the industry – those most affected by any proposed changes – is not properly consulted.

Thank you for your consideration of our submission.

**Jeff Rogut FAIM MAICD**  
**Chief Executive Officer**

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