



CONSUMERS SA

[CONSUMERS' ASSOCIATION OF SOUTH AUSTRALIA INC.]

Member of Consumers' Federation of Australia Inc.

Patron: Ian Gilfillan

PO Box 328 Belair SA 5052

Email – mail@consumerssa.org.au

Webpage – www.consumerssa.com

Consumer Association of South Australia Inc Submission to The Review of the Retail Grocery Industry (Unit Pricing) Code of Conduct

BACKGROUND

Consumer Association of South Australia Inc

Consumers' SA (CSA) represents South Australian consumers' interests, encouraging the dissemination of information on issues affecting consumers, providing a forum for discussion and presenting a South Australian consumer perspective to all levels of government. CSA, established in 1977, is a permanent element of the consumer protection movement in South Australia and receives national recognition through membership of the Consumers' Federation of Australia and ACCAN. CSA is a non-profit making and non-political organisation.

The contact person is: John Furbank, [REDACTED]

General Comment

Consumers have an enormous number of choices to make when deciding what to buy. These choices are influenced by a range of factors including taste, food preferences, health, social or environmental impact considerations, but also and especially, price. Price transparency is also one way of gaining consumer trust by making purchasing choices easier. Unit pricing assists consumers to get the best value for their money.

The market share of packaged food in Australia is high and supermarkets hold between 30,000 and 50,000 stock keeping units. This together with the multitude of pack sizes for grocery items makes it difficult for consumers (particularly vulnerable consumers) to know the quantity in relation to the price.

Unit pricing can assist consumers in forming an opinion as to which purchase to make by providing consumers with a base price with which to compare like items (e.g. different sizes and brands of prepacked goods) and substitute/alternative items (e.g. frozen/canned/loose vegetables).

The Canadian Association *Option consommateurs* conducted an exercise aimed at demonstrating the usefulness of unit pricing. *Option consommateurs* noted the difference between the prices and sizes of a dozen similar commodities in order to check the variation in unit pricing. The products were not identical but similar. They found a vast variation in unit price on the shelves including natural spring water, prices of which ranged from 3¢ to 40¢ per 100ml and for raspberry jam the price more than doubled. For example, Habitant Capita brand jam costs \$0.66/100ml, while Double Fruit costs \$1.33/100ml. (Research Report 8 □ *Option consommateurs* 2010 Unit pricing: An effective tool? Research Report 9 □

Option consommateurs 2010)

RESPONSES TO THE DISCUSSION PAPER QUESTIONS

1. Has the Code helped consumers make informed decisions when purchasing grocery items and improved price competition? How so?

The Code has provided a basic structure of general rules including who is covered by the code, the information to be displayed and how the unit price should be displayed. Although CSA considers displays, advertising and unit pricing education could be improved it is believed the Code has been instrumental in providing a valuable purchasing tool to consumers and provides price-based competition between retailers.

Recent research on unit pricing conducted by Queensland University of Technology (QUT) revealed benefits for both consumers and retailers. The research showed that consumers report a significantly greater ability to process price information and have significantly higher confidence in their price judgements when unit prices are presented consistently within stores. Additionally, it indicated that standardised unit price presentation was associated with more favourable attitudes toward retailers. The work showed that while actual product choice is often based on a range of factors such as brand reputation, product quality, and past product preference, for those people who want to judge the best value across similar products, unit price information is important. The research suggests that effective provision of unit price information will not simply drive consumers to buy the cheapest product, but rather it allows them to make more informed choices – something that appears to reflect positively on retailers. (Weeks, Clinton S., Gary Mortimer, and Lionel Page. "Understanding how consumer education impacts shoppers over time: A longitudinal field study of unit price usage." *Journal of Retailing and Consumer Services* 32 (2016): 198-209.)

,2. If the Code is not remade, what implications would this have on the application of unit pricing in Australia?

If the Code was not remade CSA believes that much less unit pricing would be provided, and the quality of provision and display, and the units of measure used, would vary greatly between retailers. Without the Code unit pricing may not be provided at all or information provided that could be inconsistent, uncoordinated or difficult for consumers to use (e.g. unit price is not adjacent to the price, difficult to read or the shelf labels are not consistent).

Consequently, consumer use of unit pricing would be much lower. Given the benefits of unit pricing to consumers CSA strongly believes that the Code should not only be remade but improved as explored elsewhere in this response.

3. What are the typical ongoing compliance costs for retailers to maintain unit pricing?

Insufficient expertise of the subject to comment.

4. Have there been any changes in the structure of the market influencing the effectiveness of the Code?

The retail industry is constantly evolving with new ideas and merchandising concepts being introduced. However, in many stores the physical layout of the in-store labelling of merchandise on shelves has not changed. This has resulted in visually poor displays of unit price information to consumers particularly on lower and high-level shelves and around fruit and vegetable displays.

The number of stores selling grocery items, but with a floor area of less than 1000 sq m appears to have increased. Some in-store and on-line grocery retailers do not sell all the eleven types of food-based items specified in the Code (e.g. fuel service stations selling groceries).

Supermarkets now compete with pharmacies, hardware and other stores on a range of products. CSA notes the initial Code was designed to exempt many smaller retailers selling grocery products but considers this exemption no longer appropriate. The ISO Committee developing *ISO 21041:2018 Guidance on unit pricing* recognised the changes in the structure of the market and the standard applies to any retailer including supermarkets, hardware stores, pharmacies and convenience stores. Therefore, a unit price system in stores supplying similar products would assist informed decision-making by consumers and facilitate a more equitable and competitive market place.

The size of pre-packed products is constantly changing to align cost of product with an appropriate price point. Many grocery items are no longer in uniform sizes making it difficult to compare price per -unit of measure

The Code needs to be adjusted to reflect these changes.

5. Are there any refinements that could be made to ensure ongoing efficiency and effectiveness of the Code, while also improving outcomes for consumers?

The current code requires in-store advertising to be prominent, in close proximity to the price, legible and unambiguous. This may be interpreted in different ways and in many cases, current practices do not assist consumers particularly the aged and those with disabilities. The Code could be greatly improved by adopting the guidelines in *ISO 21041:2018* including displays designed to ensure greatest noticeability and legibility for all potential consumers including those with special needs; display consistency across retail formats and common units of measure.

Another major component of increasing the effectiveness and use of the Code is educating consumers. It appears that since the introduction of the code very little, if any, consumer education has been conducted. A study by QUT Business School, Queensland University of Technology, into the impact of consumer education on unit price usage over time and based on shoppers' actual grocery spending showed shoppers receiving consumer education displayed progressively higher levels of savings across the first six weeks of the study to a peak of about 17–18%, declining to around 11–13% by the end of the study. Savings were achieved by shoppers from all income levels and increased with the provision of personalised comparative feedback. The study showed that on-going communication and periodic consumer education programmes were important to increase and hold the level of usage of unit pricing by consumers. (*Journal of Retailing and Consumer Services, Volume 32, September 2016, Pages 198-209 Clinton Weeks, Gary Mortimer, Lionel Page QUT Business School, Queensland University of Technology*).

6. Is the current principles-based approach still appropriate for displaying unit prices?

(In responding to this question you might wish to:

- highlight any evidence that another approach or different factors would lead to greater consumer recognition of unit prices;
- comment on whether businesses have sufficient information, either in the law or guidance from the regulator, to clarify existing requirements going to prominence.)

The Code's principles-based requirements that unit prices be prominent, legible and in close proximity to the selling price are too general, interpreted differently by different retailers and poorly enforced. This has resulted in unit prices displays that are insufficiently prominent and/or difficult to read which, in turn, reduces consumer trust and confidence; awareness and use of unit pricing which in turn results in substantial detriment to consumers, and market competition.

In relation to the close proximity to the selling price principle the unit price may not be close to the selling price and there may be other information between the selling and the unit price. This problem could be easily overcome by requiring in the Code, as recommended in *ISO 21041:2018*, that the unit price be below or adjacent the selling price and to avoid mixing the unit price with other text.

The Code could be improved by providing more guidance on how, for example the layout of on-line advertising and in-store labelling could increase the accessibility of information to consumers. *ISO 21041:2018* provides both consumers and retailers with clear informative guidelines that will

increase the use by consumers and facilitate the ability of retailers to introduce better practices (e.g. replacing existing lower vertical labels with angled labels to assist the viewer).

CSA believes that a more comprehensive based approach could be used to enhance the quality of the unit pricing provided, such as the unit of measure to be used and the provision of unit price.

CSA also believes that the position and legibility of unit price labels need to recognise consumers with disabilities, such as limited sight and mobility which influences ability to effectible use the current unit price display (e.g. on lower shelves and to the rear of bulky displays of fruit and vegetables).

7. Should there be any changes to alternative units of measurement? Why or why not?

In responding to this question you may wish to consider:

- *any changes in industry practices and procedures that should now be included in the Code;*
- *whether alternative units create consumer confusion in particular instances.*

If possible, please include relevant examples.)

CSA considers that some units of measure make it difficult for consumers to make valid comparisons and retailers to decide which unit of measure should be used in their display (e.g. sauces and creams where some are labelled in units of millilitres and others in grams). A clarification of the approach to be used by retailers would be beneficial to consumers. CSA also believes that only legal units of measure should be used e.g. number of 'scoops' should not be used.

ISO 21041:2018 acknowledges the need for the use of units of measure that may be readily understood and recognised, use of units of measure relevant to the jurisdiction and the use of only one unit of measure for each product category (e.g. where non-prepacked vegetables are sold at a price per kilogram, the packaged vegetable should be unit priced per kilogram).

8. Should smaller retailers (under 1,000 square metres) be required to comply with the code?

CSA believes the minimum area should be reduced to include more retailers while clearly excluding retailers selling groceries as an adjunct to their main business (e.g. cafes and tourist shops). It is suggested that where retailers have the appropriate price labelling software they should be included in the Code.

9. Is the minimum range of goods that must be sold in order for the Code to apply still fit for purpose?

The structure of the retail market has changed significantly since the introduction of the Code. CSA recommends the minimum number of items sold requirement should be reduced to increase the number of grocery retailers required to comply with the Code. Some in-store and on-line retailers currently do not sell items in the minimum range (e.g. fresh fruit and vegetables).

Consumers shopping at retailers both inside and outside the Code cannot compare the unit prices of products.

10. Is the list of items currently exempt from the Code still appropriate?

CSA believes the list of exempt items should be reviewed and perhaps deleted all together. CSA accepts there is no value in providing unit pricing for items sold as single goods and merchandise such as clothing and electronic goods, but other goods sold by quantity should be included (e.g. some hardware, garden and stationery items).

11. Do you have any evidence of non-compliance with the Code that has not been raised with or addressed by the ACCC?

Insufficient knowledge of the subject to comment.

12. What sort of complaints, if any, do retailers receive from consumers about unit pricing?

CSA is not aware of the sort of complaints received by retailers but CSA members have expressed concern at the legibility of shelf labels due to the font size and location of the unit price.

13. What changes to the regulatory regime, if any, may be required to ensure compliance with the Code?

CSA believes the main improvements that need to be made to ensure compliance with the Code and make it easier to use are:

- Increasing pro-active enforcement including using the new international standard ISO 21041:2018, *Guidance on unit pricing* to define prominence and legibility;
- Increasing consumer education by ACCC and retailers on how to use unit pricing effectively;
- Placing emphasis on font type and size, colour and contrast, white space, angled shelving for low and high shelves on shelf displays and on-line so that the unit price could be more easily read by consumers particularly the elderly and those with disabilities;
- Expanding the code to include pharmacies, hardware stores and grocery area of service stations; and
- Providing the ACCC with the power to issue infringement notices for non-compliance

CSA believes that *ISO 21041:2018 Guidance on unit pricing* should be used by regulators in advising and educating retailers on complying with the Code particularly in relation clause 6 (2) of the Code that requires that the unit price is displayed prominently and is legible and unambiguous.

John Furbank for Consumers SA

27 February 2019

(John Furbank, Honorary Secretary Consumers SA, is a compliance consultant specialising in advising industry on compliance with consumer protection legislation and technical standards, Chair, ISO PC 297 *Guidance on unit pricing* and Chair, Standards Australia Committee CS-116 *Guidance on unit pricing*).