

David Little [REDACTED]  
Unit Pricing in Hardware

To: [REDACTED]

Cc: [REDACTED]

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Dear [REDACTED],

Your name has been given to us as the right contact regarding the proposed introduction of unit pricing into Hardware stores and Trade depots. If you are not the right person, please let us know and if possible, the right person to contact.

This letter is penned jointly from the Chairman of Hardware Australia and the Acting CEO of the Timber and Building Materials Association of Australia (TABMA).

Hardware Australia is the peak national body representing over 550 Independent timber and hardware retailers and suppliers and TABMA represents around 200 timber and building materials retailers and wholesalers Nationally. Combined we represent the vast majority of Hardware and Building Materials merchants potentially affected by any change to pricing regulations.

We understand the Department of Treasury is investigating “unit of measure pricing” with the potential to introduce it into our sector. We wish below to point out why our Associations do not believe it is relevant to our sector or consumer base and why it will add an unnecessary cost – without an actual benefit to hardware customers. We acknowledge and understand the benefit to the end user in the supermarket industry, but we must point out how our retail sectors and way we sell to market vary dramatically.

Supermarkets sell consumable items, many purchased weekly or monthly as the householder requires. The decision to purchase is made up of several criteria. As an example let’s say a soft drink. The manufacturer will often have 3 to 4 different sizes available in different forms, bottles or cans and quite irregular sizes 375ml, 1,25lt etc. across a number of brands. It would be expected that the largest size would be the most economical, however due to the retailer specials this may not always be the case and as such it aids the consumer to be able to see how much per 100ml etc is. Or even depending on their budget, choose one week to buy a smaller size at a slight premium and then the following week choose a larger size if the budget is a little freer.

Our industry is different in several facets, We cater to two main sectors; Retail and trade customers; both of which purchase in distinctively different fashions. Starting with our Retail consumers, the majority of items they purchase from us are not consumable or bought on a regular cycle. They are generally a considered purchase. A garden hose for instance is purchased to reach from “A” to “B”. This distance may be 15 metres or say 30 Metres. The fact that the 30mt hose may be cheaper by the metre is irrelevant to the decision making process if the distance required is only 15 metres. Similarly, when purchasing a can of paint the decision is to compare the required size can to cover an area i.e., 1lt for 12 – 14 square metres, 4 litres for 48 to 56 square metres etc.. It is not relevant to use a unit of measure for one-off, job specific projects. To even add to complexity, unlike a supermarket we have items such as Glyphosate (Weed killer) where the concentration from suppliers can vary, thus the volume of the container or price per 100ml is not appropriate to be the gauge as per value for Money.

Even the example commonly given by consumer advocates is misleading: they pointed out it is vastly cheaper per unit for our hypothetical student to buy 100 or 1000 screws than a pack of 20. Which is

true. Except that putting up a shelf takes four, so there's no point 'saving' money on something you won't use.

For trade purchasers, the trade pricing is not normally indicated on shelf labels. Most trade customers would have discounts applicable to the retail shelf pricing or be on contract pricing so by showing a unit of measure on a shelf label is again not relevant. Similar however to a retail customer, a trade person purchases what is required specifically for the job at hand.

Smaller Independently owned and operated Retail outlets will be particularly affected by the increased impost caused by unit pricing. A typical small Hardware retailer will stock upwards of 5,000 individual SKU's, some well in excess of this. Managing price changes e.g. re-printing labels and calculating the per unit price of each would become a costly exercise where no IT Dept exists to solve the problem. Large "corporate" Hardware stores will gain an advantage here, where a centralised IT function can solve the problem once and roll out to all.

Whilst we understand Treasury is just investigating at this stage it is our strong belief that "Unit of measure is not something that will benefit our end users as it may in some other sectors of the market and will add an unfair additional cost burden to the smaller Independent Hardware retailers we represent.

Yours Truly

Ian Cornwell and David Little

*Kind regards*

**David Little** | Acting CEO

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