



28 February 2019

## **SUPPLEMENTARY SUBMISSION TO REVIEW OF RETAIL GROCERY INDUSTRY (UNIT PRICING) CODE OF CONDUCT**

The Association requests that this supplementary submission be considered in addition to the submission dated 5 February 2019.

This supplementary submission provides additional information and views on:

- Uses of Unit Pricing
- Benefits of Unit Pricing
- Legibility
- Consistency
- Online Selling Sites

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### **USES OF UNIT PRICING**

In our first submission, we mentioned several times the ways in which consumers can use **effective** unit pricing to make better informed choices and save time and we listed the following possible price/value comparisons:

- package sizes
- brands
- packaged and non-packaged products
- different types of packaging
- products in different forms (for example fresh, chilled, frozen, canned)
- regular prices and special offers
- similar/substitute products.

We wish here to reemphasise:

- That consumers are most likely to use unit pricing in these ways if it is easy for them to notice, read, understand and use.
- The need to adopt a comprehensive approach to the design and provision of unit pricing by taking account of each the three types available to consumers viz. that provided by the Code for products sold in packages of fixed measure, and that provided via trade measurement laws for products sold in packages of variable measure and when sold loose from bulk.

We also noted that how, when and how often consumers use unit pricing, and the benefits obtained from it, will vary greatly between consumers and be influenced by many factors including their objectives, preferences, awareness of unit pricing and its uses, etc., and the quality of the unit pricing provided. We also noted that some consumers will use unit pricing to increase purchases of items with higher unit prices, yet unit pricing still benefits these consumers since it has helped them to make more informed choices.

We particularly emphasised that self-reported frequency of use (information likely to be collected by the online survey accompanying this consultation) may not be highly positively correlated with the benefits obtained.

We wish here to note that use by some consumers to may also be reduced by the fact that:

- Grocery shoppers can or have to make a huge number of choices since they usually buy many different types grocery products and do so frequently.
- The cost of individual items and differences in unit prices may be, or seem, small in monetary terms but can be very large in percentage terms.
- Some shoppers may be unaware of the potentially large annual savings, or increased amount of product obtainable for the same cost, from using unit prices to compare values and to make informed choices between products and retailers.

However, such impediments to consumer use can be greatly reduced if unit pricing is easy for consumers to notice, read, understand and use; consumers have trust and confidence in the unit pricing provided; and there is effective consumer education on the potential benefits from its use, and how to use it.

We also wish to emphasise that grocery shoppers are exposed to numerous marketing strategies and practices designed to influence their choices, and to emphasise that effective unit pricing can assist consumers to make informed choices despite the presence of these marketing strategies and practices. Effective unit pricing therefore, empowers and protects consumers.

Marketing strategies and practices that may reduce informed choice but the impact of which can be reduced by the provision of effective unit pricing include:

**Special offers/temporary price reductions**

Taking advantage of the not-always-correct, common consumer assumption that the special offer will always be the best value for money.

**Package downsizing**

Reducing package content but not the selling price to take advantage of the likelihood that many consumers will not notice the reduction in content and increase in unit price. (Sometimes also called “shrinkflation”).

**Placing better value products on the lower and upper shelves**

Taking advantage of consumers looking mainly at items located at eye level.

**Varying package content between retailers**

Varying the amount of product in packages containing the same or similar products (including national brands) sold by different retailers to take advantage of the likelihood that many consumers will be unaware of these content differences.

**Quantity surcharging**

Charging more per unit of measure for large packages to take advantage of the common, but not-always-correct, consumer assumption that the large package will always have the lowest unit price.

**Deceptive packaging**

Making the dimensions of the packages used for small quantities of a product similar to those of packages containing larger quantities of the product.

**Excessive slack fill**

Increasing package size dimensions by having unnecessarily large amounts of non-functional fill (usually) air in the package.

**Decoy pricing**

A pricing strategy aimed at changing consumer choice to a more expensive or profitable option.

Effective unit pricing can also result in less use by consumers of not universally valid heuristics (rules of thumb) to assess value and make choices. Examples of such heuristics include that the best value will be obtained by buying: special offers, unpackaged rather than packaged products, and the largest pack size.

## **BENEFITS OF UNIT PRICING**

Given the above mentioned many and varied possible uses of unit pricing by consumers and the need to measure benefits against a known base level of expenditure, it is very difficult to accurately measure the aggregate benefits to consumers of unit pricing. Similarly it is difficult to measure the aggregate benefits from improvements in competition, benefits for retailers, or from the time saved by consumers not having to calculate unit prices themselves.

This difficulty was recognised by Treasury's 2012 Post Implementation Review<sup>1</sup>, which simply estimated the costs to retailers of providing unit pricing due to the introduction of the Code then used them to estimate the saving per household equal to those costs. After making some reasonable assumptions about how consumers might save money using unit pricing, the review concluded that the consumer benefits greatly exceeded the costs.

In this regard, if this review proposes to assess benefits as well as costs we consider it is important to assess them not only relative to possible costs but also to total consumer expenditures. In the case of supermarkets, this is estimated to be around \$100 billion a year. This means that even small percentage reductions in aggregate consumer expenditures, or increases in the amount of products obtained for the same total expenditure, will result in large aggregate consumer benefits. For example, if changes to the Code and increased monitoring and enforcement of compliance with the Code, and increased consumer education resulted in only a 3% increase in benefits this would be equivalent to around \$3 billion per annum or an average of around \$360 per household per annum.

In this regard, the results of a QUT study<sup>2</sup> on the impact of providing consumers with education about unit pricing suggested that a family of 4 could save \$1700 a year as a result of making greater use of unit pricing. Also, over the years we have found that the cost of a basket of grocery items can be reduced by over 40% from changing packaged product brand, and substantial cost savings can also be achieved by making better choices between pack sizes and between packaged and unpackaged products.

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<sup>1</sup> <https://ris.pmc.gov.au/sites/default/files/posts/2012/11/unit-pricing-pir.pdf>

<sup>2</sup> <https://theconversation.com/unit-pricing-saves-money-but-is-the-forgotten-shopping-tool-61379>

Our first submission called for the mandatory provision of unit pricing required by the Code to be expanded to include non-grocery retailers and non-grocery products, for example pharmacies and hardware stores. In this regard we have found at these retailers there are large differences in the unit prices of different brands and package sizes. We also noted that, although not all their revenues would relate to products likely to be covered by an expansion of the Code, revenues from such products are likely to be many billions of dollars. And, since these retailers currently do not provide unit prices, the initial benefits from mandatory provision would be high. Therefore we believe that large benefits would flow from expanding the coverage of the Code to non-grocery retailers.

Also, effective unit pricing can reduce, or remove, the need for, and cost of, other regulation that otherwise might be required to protect and empower consumers, for example mandating the sizes of packages in which products can be sold. Australia no longer has these requirements but in the absence of effective unit pricing they might be needed. Therefore, this should be included in any consideration of the benefits of effective unit pricing.

## LEGIBILITY

In our first submission we emphasised that **all** unit prices needed to be easy for consumers to read, including by consumers with sight and mobility disabilities. We also indicated that many unit prices provided by retailers under the Code do not meet this important requirement.

We wish here to advise that the ISO Standard 21041:2018<sup>3</sup> “Guidance on unit pricing” also contains this requirement and provides guidance on how this may be achieved by taking account of the many factors that may influence legibility including print density, font size font type, and colour and contrast. And, importantly it also notes the influence of viewing distance and angle, and surface reflection.

Given the above, and the views of consumers, improving the legibility of the unit pricing currently provided by retailers under the Code should be a very high priority for the review. It is completely unacceptable that to read many unit prices on the lower shelves of bricks and mortar supermarkets some consumers may have to get on their hands and knees, and that small print is often used for the unit price on labels used for special offers in supermarkets, at online selling sites, and in print advertisements.

It is also significant and concerning that, accurately reflecting great consumer concern about legibility problems, radio and TV interviewers frequently refer to unit pricing as the fine print on supermarket labels that can result in big savings.

Retailers ensure that selling prices are always very legible and we see no reason why they cannot do the same for unit prices or why they should not be required to do so. In this regard it is important to recognise that most consumers make great use of the unit prices provided for products covered by the Code, and for some it is likely to be the most important and most used information on labels and signs.

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<sup>3</sup> Available for sale at <https://www.iso.org/obp/ui/#iso:std:iso:21041:ed-1:v1:en>

A step change is needed in the legibility of the unit pricing provided by Australian grocery retailers. And, as indicated in our first submission we consider that this can only be achieved by providing more specific requirements in the legislation, especially on the minimum print size that must be used at various viewing distances and angles.

In our first submission we referred to our 2018 paper<sup>4</sup> on legibility and prominence issues. The paper includes:

- Examples of specific print height requirements/recommendations for the display of unit prices in various countries.
- Print height requirements/recommendations for the display of unit prices proposed by the European Consumer Voice in Standardisation (ANEC), including minimum character heights for unit prices on vertical and angled shelf edge labels for different viewing distances and distances from the floor.

To facilitate further consideration of these very important matters, these sections of the paper are provided in Appendix 1.

As discussed below, much greater consistency in legibility within and between retailers is also required.

## **CONSISTENCY**

The ISO Standard's principles for the provision of effective unit pricing include: "consistency with and between retailers, and across all retail formats in the provision and display of unit pricing and in the units of measure used."

This is an extremely important principle because inconsistency greatly reduces consumer awareness and use of unit pricing. This is recognised in the Code for several aspects of unit pricing, for example the detailed requirements for the unit of measure to be used to unit price specific types of product and offers, but it is not recognised for other aspects, such as display of unit prices..

Unfortunately, much of the unit pricing provided under the Code is inconsistent, including the use of different unit of measure for the unit price of items in a product range. The latter, which occurs within and between retailers is primarily due to non-compliance with the Code.

However, other inconsistencies reflect the absence in the Code of specific requirements regarding provision, for example there is no requirement to provide the unit price each time a selling price is displayed. For products with more than one label/sign showing the selling price, this frequently results in the unit price not being shown on each price label/sign. And, there are great inconsistencies in how unit prices are displayed due to the lack of specific minimum requirements designed to achieve satisfactory prominence and legibility.

Other examples of inconsistency in unit pricing within and between retailers include the use of / and per when displaying the unit price, the location of the unit price relative to

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<sup>4</sup> <http://consumersfederation.org.au/wp-content/uploads/2018/06/MAKING-UNIT-PRICES-EASIER-TO-NOTICE-AND-READ-OCA.pdf>

the selling price, and the number of digits used to show the unit price, for example \$0.6 and \$0.60.

Consumer use of unit pricing may also be adversely affected by inconsistency in the types of labels and signs used to display unit prices for the same or similar products on offer at regular prices, for example using large labels for some items and small labels (the latter often with the unit price in smaller print) for other items.

The review needs to give high priority to greatly reducing unit pricing inconsistencies within and between retailers and between retail formats (e.g in-store and online).

## **ONLINE SELLING SITES**

In Australia, the proportion of grocery products bought online is still relatively low. However, it is increasing rapidly, as also is the number of consumers who buy at least some grocery products online. And, in some countries such as the UK, online now accounts for a very substantial proportion of total grocery sales.

Therefore, we wish to reemphasise the need for this review to ensure that the unit pricing provided by online sellers is effective i.e. it is easy for consumers to notice, read, understand and use. Our research indicates that currently much online unit pricing is less effective than it can and should be.

Online retailers need to not only ensure that they provide unit prices that are sufficiently prominent and legible and the units of measure used are consistent within a product type, but also that they facilitate consumer use of this unit pricing.

To do the latter, it is essential that an effective product search function be provided and a sort-by- lowest-unit-price function that can be applied to the results of high level searches and a list of specific products selected by the user. The availability of the sort-by-lowest-unit-price function should also be shown prominently on the website. If this is not done the overall use of unit pricing is likely to decline as use of online selling sites increases.

# APPENDIX 1

Source: <http://consumersfederation.org.au/wp-content/uploads/2018/06/MAKING-UNIT-PRICES-EASIER-TO-NOTICE-AND-READ-QCA.pdf>

## EXAMPLES OF SPECIFIC PRINT HEIGHT REQUIREMENTS/RECOMMENDATIONS FOR THE DISPLAY OF UNIT PRICES

### ON SHELF LABELS AND SIGNS

Country/State	Type of Height Requirement/Recommendation for Unit Price			Specific Height Requirement/Recommendation for Unit Price
	Minimum	Equal to selling price	% of selling price	
<b>USA</b>				
Massachusetts State law - requirement	Y	Y	Y	<b>Shelf labels and signs:</b> Equal to the item price and no smaller than 3/8 <sup>th</sup> inch (9.5mm) and if the item price is larger than 3/8 <sup>th</sup> inch (9.5mm) no less than 25% of the item price or 3/8 <sup>th</sup> inch (9.5mm), whichever is greater. <b>On packages:</b> no smaller than the size of the item price.
Connecticut State law - requirement	Y	Y	Y	<b>Shelf labels and signs:</b> No smaller than for the retail price and at least pica print size (1/6 <sup>th</sup> inch/4.2 mm) and if the retail price is more than pica (1/6 <sup>th</sup> inch/4.2 mm) the unit price must be no less than that or 25% of the retail price, whichever is greater
New York State law - requirement	Y			<b>Unit price Numerals:</b> Minimum of 3/16 <sup>th</sup> inch (4.7mm) <b>Words "unit price":</b> Minimum of 1/16 <sup>th</sup> inch (1.6mm)
New Jersey State law - requirement	Y	Y	Y	<b>Shelf labels:</b> No less than the size of the selling price and if the selling price is greater than the unit price no less than 50% of the selling price. <b>Price signs:</b> equal to the selling price if that is less than 5 inches (127mm) and if the selling price is greater than 5 inches (127mm) no less than 3 inches (76mm) or 50% of the selling price, whichever is greater.
National Institute of Standards and Technology Unit Pricing Guide - recommendation	Y		Y	<b>Shelf labels and signs:</b> Minimum of 6mm (0.24inch) and not less than 50% of the height of the retail price
<b>Sweden</b> Good practice	Y	Y	Y	<b>Shelf labels and price signs:</b> a minimum of 11mm for numbers and 8mm for letters.

Country/State	Type of Height Requirement/Recommendation for Unit Price			Specific Height Requirement/Recommendation for Unit Price
agreement between retailers and the Consumer Agency - requirement				<b>Labels on products:</b> a minimum of 6mm for numbers and 3mm for letters.
<u>Japan</u> Tokyo Metropolitan Government - recommendation	Y			Minimum of 14 point (5mm) for numbers and letters.
<u>Australia</u> Trade Measurement Regulations - requirement	Y			For random weight packages of products such as meat, fish, cheese, nuts, fruit and vegetables sold in non-rigid containers, <b>the unit price need not be provided on the package</b> if it is shown on an adjacent sign in characters at least 10mm high.

#### ON PRE-PACKAGES

Country/State	Type of Height Requirement/Recommendation for Unit Price			Specific Height Requirement/Recommendation for Unit Price
	Minimum	Equal to selling price	% of selling price	
<u>Australia</u> Trade Measurement Regulations - requirement	Y			On variable measure packages of products such as meat, fish, cheese, nuts, fruit and vegetables sold in non-rigid containers a unit price printed by an approve printing device must be a minimum of 3mm high.
<u>Sweden</u> Good practice agreement between retailers and the Consumer Agency - requirement	Y			Minimum of 6mm for numbers and 3mm for letters
<u>USA</u>				
Massachusetts State law - requirement		Y		No smaller than the size of the item price.



# PRINT HEIGHT REQUIREMENTS/RECOMMENDATIONS FOR THE DISPLAY OF UNIT PRICES PROPOSED BY THE EUROPEAN CONSUMER VOICE IN STANDARDISATION (ANEC)

## 1. General

This Annex x is only about legibility – ability to read. It does not address prominence – ability to notice.

Also, it relates only to unit prices on shelf edge labels displayed in-store. It does not relate to unit prices displayed in-store on other signs or online or in advertisements.

It is based on a German standard DIN 1450 'Typefaces, Legibility'.

## 2. Minimum character heights for in-store shelf edge labels

Character height has a major impact on legibility.

In a well-lit environment, for persons with normal visual acuity (Visus 0,7) standing upright 0,60 m from the shelf, a minimum character height of 3,2 mm is required for good legibility of unit prices on vertical labels 1,20 m to 1,80 m from the floor.

For larger viewing distances Table 1 shows the required minimum character heights for vertical and angled shelf edge labels with the viewer standing upright and 0,6 m from the shelf<sup>5</sup>.

Table 1: Minimum character heights for vertical and angled shelf edge labels for different viewing distances and distances from the floor

Distance of unit price from the floor (m)	Viewing distance (m)	Minimum character heights (mm) for shelf edge labels:	
		vertical	angled (angle 40)
1,10	0,72	3,4	-
1,00	0,78	3,9	-
0,70	1,00	6,4	4,1
0,40	1,25	10,3	5,3
0,10	1,52	15,2	6,7

<sup>5</sup> The viewer is standing upright in a distance of 0,6 m to the shelf and can see the labels at height of 1,50 m and above in a viewing distance of about 0,60 m by slightly changing posture. Below 1,50 m the viewing distances are larger than 0,60 m, because the viewer looks diagonally downwards.

Table 1 shows that when a shelf edge label sign is close to the ground (for example on the lower shelves), and vertical to the viewer, much larger character heights are required to provide good legibility than when the shelf edge label is angled out towards the viewer.

To take account of the needs of viewers in wheel chairs (with an eye level of 1,2 m):

- Angled shelf edge labels signs should be only up to 0,8 m from the floor and above that should be vertical.
- For vertical shelf edge labels on the upper shelves (1,80 m from the floor) at larger viewing distances (0,85 m) the minimum character height should be 4,7 mm.

The given minimum character heights refer to persons with normal visual acuity (Visus 0,7) and good luminosity ( $L= 100 \text{ cd/m}^2$ ).

If the visual acuity is less (Visus:  $< 0,7$  and  $\geq 0,5$ ) the values of these character heights have to be multiplied by 1,4. If the visual acuity is between Visus  $< 0,5$   $\geq 0,4$  these character heights have to be multiplied by 1,75.

If the luminosity is adequate ( $L= 10 \text{ cd/m}^2$ ) these character heights have to be multiplied by 1,25 for people with normal visual acuity (Visus 0,7) or 1,7 for people with reduced/limited visual acuity (Visus 0,5).

If the luminosity is inadequate ( $L= 1 \text{ cd/m}^2$ ) these character heights have to be multiplied by 1,5 for people with normal visual acuity (Visus 0,7) or 2 for people with reduced/limited visual acuity (Visus 0,5).