

 <p>QUEENSLAND CONSUMERS ASSOCIATION</p>	<p>A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland</p> <p><i>Secretary: Max Howard PO Box 261 Corinda Q 4075</i></p>
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24 February 2023

SUBMISSION TO THE SENATE SELECT COMMITTEE ON THE COST OF LIVING

ABOUT US

The Queensland Consumers' Association (QCA) is a small non-profit organisation established over 40 years ago and which exists to advance the interests of Queensland consumers. QCA's members work in a voluntary capacity and specialise in particular policy areas. QCA is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups, and also works closely with many other consumer and community groups.

QCA has a very strong interest in ensuring high levels of retail price transparency for consumers and its work in this area has included:

- Coordinating the consumer campaign that in 2009 resulted in the Retail Grocery Industry (Unit Pricing) Code of Conduct (the Code), administered by the ACCC, that requires some instore and online grocery retailers to provide consumers with the unit price (price per standardised unit of measure) for grocery products sold in constant measure packages (for example boxes of breakfast cereals and cartons of milk).
- On-going advocacy for improvements to the Code, and its administration, and for some other types of retailers to be required to provide unit pricing.
- Advocacy for improvements to measurement legislation requirements which have many major, but insufficiently recognised, impacts on the achievement of an effective and comprehensive national unit pricing system.

RECOMMENDATIONS

QCA requests that its final report the Committee recommend that:

- 1. The Australian Competition and Consumer Commission (ACCC) adopt a more proactive approach to monitoring and enforcing retailer compliance with the Retail Grocery Industry (Unit Pricing) Code of Conduct.**
- 2. The Commonwealth government commission an independent, national review of the unit pricing (pricing of products per standardised unit of measure) system in order to:**
 - **Assess the effectiveness of the current unit pricing and other relevant legislation (including measurement legislation) and its administration,**
 - **Identify opportunities to increase the effectiveness and the scope of the current legislation and its administration.**
- 3. More resources be provided to inform consumers about unit pricing and its uses.**

JUSTIFICATION

Consumer access to, and use of, effective unit pricing (pricing per standardised unit of measure) of products greatly increases price transparency and therefore the ability of consumers to compare prices, assess value, and save money or get more for the same expenditure. Effective unit pricing also helps consumers to be more resilient when experiencing economic challenges such as the current cost of living crisis.

Therefore, ensuring that consumers have access to and use effective unit pricing is highly relevant to the inquiry and in particular to the following terms of reference

- measures to ease the cost of living through the provision of Government services
- any other related matter.

The potential benefits¹ from increased consumer access to, and use of, unit pricing to compare prices and values of all types of products are very large².

The benefits are particularly large for grocery products because:

- Australian consumers spend at least \$100 billion a year on groceries³ and high grocery bills are one of the main causes of financial stress for many households.
- Grocery unit prices differ greatly between: pack sizes, brands, loose/packaged products, package type, fresh/frozen/canned products, substitute/alternative products, retailers, etc. and they can be used to make many types of value comparisons.
- Many disadvantaged and vulnerable consumers spend above average proportions of their, often low, incomes on groceries.

¹ Other benefits include: increased consumer protection and empowerment, Improved social justice (it is a social justice principle that cost pressures should be eased, particularly for the disadvantaged and vulnerable groups), and increased supply chain competition and efficiency.

²For example, they were the main reason why in the 1970s in response to the economic problems caused by the Oil Price Shocks that several states in the USA become the first places in world to mandate the provision unit pricing by grocery retailers for packaged products. For similar reasons, other countries have also done the same, including Australia in 2009 following a recommendation by the ACCC inquiry into retail grocery prices conducted partly commissioned because of the economic effects of the Global Financial Crisis.

³ Equivalent to an average of around \$10,000 per household per annum.

However, as shown later, consumer usage of unit pricing for groceries is currently sub optimal for a variety of reasons including retailer noncompliance with the Code, and many supermarkets and online grocery retailers not being required by the Code to provide unit pricing.

And, consumer usage of unit pricing is extremely low when buying packaged products from non-grocery retailers, such as pet supplies stores, chemists, hardware stores, and stationers, because these retailers are not required to provide unit prices and they rarely do so voluntarily. Consequently, since consumers spend large amounts with these retailers, the consumer detriment due to non-provision of effective unit pricing is very high.

We consider that the overall costs associated with increasing consumer access to, and use of, unit pricing by grocery, and other types of, retailers would be low⁴ especially relative to the benefits which could be very large (potentially \$100s of millions annually) and that the costs to government would be extremely low.

BACKGROUND

General

The provision of unit pricing for products sold loose (for example fruit and vegetables) and in packages of random weight (for example meat and cheese) has been required and regulated by measurement legislation for many years. And, these forms of unit pricing are much used by consumers to compare value and prices.

But, for many years regulatory failure resulted in the provision of unit prices not being required for products sold in constant measure packages even though since the 1950s and 60s these have become the most common way to buy groceries and many other products.

However, since 2009 very large supermarkets and some online grocery retailers have been required by the Code, administered by the ACCC, to provide the price per unit of measure for packaged grocery products and the unit prices have to be prominent and legible and specified units of measure must be used.

Code compliance

Although many consumers use the grocery unit pricing regulated by the Code, usage is sub optimal. There are many reasons for this including:

- Many grocery unit prices are not easy enough even for consumers with normal vision and mobility to notice, read, understand and use both instore and online due mainly to small, non-bold print, inconsistent units of measure, and non-provision⁵.
- Insufficient proactive monitoring and enforcement of retailer compliance with the Code.

That consumers experience high levels of difficulty consumers when using grocery unit pricing is clearly shown by a very recent national survey⁶ commissioned by the Australian Consumers Association (CHOICE) which found that 71% of unit price users in grocery stores and 80% of online users experienced difficulties doing so. It also showed that the main instore and online difficulties were:

⁴ The cost of significantly improving the unit pricing currently provided by grocery retailers would be particularly low.

⁵ Photographs of such unit pricing instore and online can be provided if required.

⁶ Available at <https://www.choice.com.au/unitpricing>

<u>Difficulty experienced using unit pricing</u>	<u>Instore shoppers</u> (% who experienced problems)	<u>Online shoppers</u> (% who experienced problems)
Difficult to read	34	23
Obstructed/covered	31	N/A
Different units of measurement for the same type of products	26	31
Not displayed	35	29
Being unable to sort/search by lowest unit price	N/A	20
Difficult to compare products of interest side by side	N/A	25

Significantly, most of these difficulties are caused by retailers not complying with the Code. And, the levels of difficulty were substantially higher for some types of consumers. For example, unit prices being difficult to read instore was a problem for 47% of retired users compared with 29% of non-retired users and 79% of people with a disability experienced difficulties using unit pricing instore compared with 69% of other users.

Therefore, we consider that, in order to increase consumer usage, increased retailer compliance with the Code is required and that this can be best achieved by the ACCC taking a more proactive approach to monitoring and enforcing compliance⁷.

Accordingly, we **recommend** that:

The ACCC adopt a more proactive approach to monitoring and enforcing retailer compliance with the Retail Grocery Industry (Unit Pricing) Code of Conduct.

Need for legislation review

Consumer use of grocery unit pricing could also be substantially increased by legislative changes and these would result in much greater benefits for consumers and the community.

The current legislative obstacles to increased consumer use of unit pricing include:

- Many supermarkets and online grocery retailers are not required by the Code to and do not provide unit pricing⁸.
- The Code only requires that unit prices be displayed prominently and legibly and the absence of any enforceable guidance on how that might be achieved and or on how compliance will be assessed.
- Measurement legislation allows many products to be offered for sale or priced per each or by weight, which results in inconsistent units of measure being used to unit price different items of the same product, or similar products.
- Non-grocery retailers such as pet supplies stores, chemists, hardware stores, and stationers sell packaged products, and consumers spend large amounts in these stores yet they are not required⁹ to provide unit prices and rarely do so voluntarily.

⁷ This would also make the system fairer and less discriminatory.

⁸ Only retailers who sell all of 11 specified categories of grocery products are required to provide unit pricing and the only instore retailers required to provide it are those with more than 1000 square meters of floor space.

⁹ They are required to do so in several EU countries and the UK.

Consumer surveys have shown that many consumers want unit pricing for packaged products to be provided by more grocery retailers and some non-grocery retailers.

For example, in a national CHOICE survey in 2018, 86% of respondents believed mandatory unit pricing should be extended to shops that are not currently covered by the Code, over 50% believed convenience stores and smaller grocery retailers should also be required to provide unit prices, Also, 66% of participants said unit pricing should be extended to pharmacies and 44% to hardware stores.

Therefore, we consider that an independent and comprehensive¹⁰ review of unit pricing is needed. Such a review was supposed to be, but never was, undertaken 5 years after the Code started in 2009¹¹.

Accordingly, we **recommend** that:

The Commonwealth government commission an independent, national review of the unit pricing (pricing of products per standardised unit of measure) system in order to:

- **Assess the effectiveness of the current unit pricing and other relevant legislation (including measurement legislation) and its administration,**
- **Identify opportunities to increase the effectiveness and the scope of the current legislation and its administration.**

Need for more consumer education

The only publicly funded special education campaigns to inform consumers about the availability of grocery unit pricing and how it can be used to compare value and prices have been undertaken by:

- The ACCC when compulsory provision started in late 2009 – mainly via leaflets.
- The ACCC and state/territory consumer affairs departments during the Covid 19 pandemic¹² - mainly via social media.

The only consumer education undertaken by grocery retailers occurred in late 2009 – mainly via leaflets.

Since late 2009 consumer organisations such as CHOICE, CFA and QCA have regularly undertaken consumer education on grocery unit pricing using a variety of methods.

However, there is a great need for more, and regular, consumer education because:

- Many additional people, including many from places where grocery unit pricing is not provided, become Australian grocery shoppers each year
- Awareness and use of grocery unit pricing varies substantially between different consumer types.
- Given the numerous ways ¹³that consumers can use grocery unit pricing, it is important to ensure that as many consumers as possible are aware that unit prices can be used to

¹⁰ One which looks at unit pricing in general not just grocery unit pricing and the Code.

¹¹ A Treasury review of the Code published in 2021: was not independent; was mainly undertaken to prevent the legislation being "sunsetting"; was insufficiently comprehensive; and did not accept any changes suggested by the ACCC, some grocery retailers and organisations, some academics, and several consumer and community organisations. No significant changes were made to the Code. The ACCC improved its retailer guidance document. However, we are unaware of any resultant improvements in the quality of retailer provision.

¹² This was in response to a request from the Consumers Federation of Australia.

¹³ For example between: pack sizes, brands, loose/packaged products, package type, product form - fresh/frozen/canned, etc., special offers and regular prices, processed/unprocessed, substitutes/alternatives, retailers, instore/online.

compare values and prices other than for example just between different pack sizes of the same brand of a product.

Also consumer buying patterns do change when they are given information about grocery unit pricing. For example, a paper¹⁴ by Mortimer, G., and Weeks, G., “How unit price awareness and usage encourages grocery brand switching and expenditure”, *Journal of Retailing and Consumer Services* 49, (2019), 346-356 investigated changes in buying behaviours when Australian consumers were provided with educational information about unit pricing and how to use it.

The data analysed was obtained from the participants’ actual grocery receipts before and after the education interventions. A key result was that when consumers were provided with educational information about unit pricing, for three of the four product types studied there were substantial statistically significant reductions in the average unit price of the products bought. For these three product types the average reduction was 22% and if the other product type (with no statistically significant changes) is included the overall reduction was 16.4%.

Accordingly, we **recommend** that:

More resources be provided to inform consumers about unit pricing and its uses.

¹⁴ Available at <https://www.sciencedirect.com/science/article/abs/pii/S0969698918311597>