

Family First - Dissenting Report

Inquiry into the Unit Pricing (Easy comparison of grocery prices) Bill 2008

Family First introduced this bill for a national unit pricing scheme in May 2008 to help Australian families cut their grocery bills by easily comparing grocery items on a per unit basis. The scheme would allow families to choose the cheapest item on a per unit basis.

Families are spending hundreds of dollars every fortnight on groceries, and with prices skyrocketing a saving of even a few per cent on the supermarket docket can make a big difference to a family's budget.

A mandatory unit pricing or comparative pricing scheme:

- Displays the prices of grocery items per unit of measure, such as per litre or per kilogram. This allows shoppers to quickly compare items to select the cheapest product on a per unit basis;
- Is already a familiar feature displayed for the sale of fruit, vegetables, meat and deli products where price is displayed per kilogram;
- Helps to increase the focus on price and value for money and those families who want good prices can make big savings on their grocery bills; and,
- Produces a better result than a voluntary system as overseas experience shows that under voluntary systems there can be a lot of goods offered without unit pricing information.

Without consistent rules, unit pricing may be dropped for promotions, may not be accurate, may not be used consistently, not be displayed prominently or not printed in advertisements.

The prominence of the display of unit prices has been shown to be a key factor in consumer awareness. Unless the unit price is large enough, families will not see it and the scheme will be useless.

The Rudd Government should not be bullied by the big retailers and tricked into setting up a unit pricing scheme that suits retailers but undermines families being able to choose the cheapest grocery items.

Family First's bill details a unit pricing scheme that can be implemented now, so there is no excuse for the Rudd Government to delay the scheme.

What is unit pricing?

The Public Interest Advocacy Centre explained that:

Unit price information enables consumers to compare like with like, that is, to compare the amount per kilo or litre being charged for the same product by different retailers, or even by the same retailer for the same product from different manufacturers. For example, it would enable a consumer to compare the price per litre of milk across a range of milk packaging and producers in the same supermarket, irrespective of who the producer is or whether the milk is being sold in a 600mL, a 1L, a 2L or a larger container. Similarly, it enables consumers to make the same comparison across supermarkets through comparing the advertised price.¹

Unit pricing can be used for a number of tasks:

Consumers can use unit prices to make a variety of comparisons when choosing grocery products. For example, they can compare:

Sizes and brands of a package type within a product type, for example jars of jam

Sizes and brands between product types, for example butter versus margarine

Product form within a product type, for example fresh versus frozen salmon steaks

Product form between product types, for example fresh and frozen salmon steaks versus fresh and frozen barramundi fillets.

Types of packaging within and between product types, for example unpackaged cheese with pre-packaged.²

Unit pricing is not a new concept, with:

the provision of unit prices for pre-packaged grocery items ... compulsory in each of the 27 countries of the European Union and in several states in the USA. Overseas, it is used by 50-70% of consumers and provides major benefits to consumers and the economy at very low cost.³

It is time that Australia caught up and offered families this very useful tool to help cut grocery bills.

1 Public Interest Advocacy Centre, submission 3, page 1.

2 Queensland Consumers Association, submission 2, pages 3-4.

3 Public Interest Advocacy Centre, submission 3, page 2.

Why unit pricing?

The cost of food is a big part of every family's budget and the fact that food prices have been increasing faster than the inflation rate for more than a decade⁴ means that families are really having a hard time making ends meet. The Consumer Action Law Centre argued unit pricing is one way of helping to address the problem:

There are increases in grocery prices here that have not occurred elsewhere, which leads us to think there is a problem with grocery prices. They are too high and they have been going up too much. One modest but important step in combating the inflation in grocery prices is unit pricing. There are a number of problems in the grocery industry in Australia. We think that unit pricing, in providing more information to customers about the true price of the products they are buying, will increase price competition.⁵

Unit pricing can also help to put downward pressure on inflation:

... unit pricing increases the transparency of prices and makes it easier for consumers to assess value for money. As a result, competition between manufacturers and between retailers increases thus helping to reduce price inflation. Without unit price information, consumers have to do the calculations themselves and understandably few do this and rely on rules of thumb about value for money such as larger sizes are always the lowest unit price.⁶

Estimates of savings from unit pricing range from 21% to 50% of a family's grocery bill:

Our survey of grocery prices indicates savings of 21% by buying the most cost effective branded pack size and another 34% if switching to private labels. Our estimate of an \$810 million fall in revenue assumes one in twenty shoppers switch to the most economical pack size.⁷

The Queensland Consumers Association said it has done research which "... shows that for 25 pre-packaged grocery items, by buying only brands and sizes with the lowest unit price consumers could reduce a \$94 grocery bill by almost 50 per cent."⁸

A survey by Choice found "89% of consumers said they would find comparison product pricing very useful or somewhat useful."⁹

4 The Economic Contribution of Small to Medium-Sized Grocery Retailers to the Australian Economy, with a Particular Focus on Western Australia. A report prepared by PriceWaterhouse Coopers for the National Association of Retail Grocers of Australia, June 2007. Page 6.

5 Mr Ashton, Consumer Action Law Centre, Committee Hansard, 6 August 2008, page 8

6 Queensland Consumers Association, submission 2, page 4.

7 *Unit Pricing in Supermarkets*. Citigroup Global Markets Equity Research, 14 July 2008

8 Queensland Consumers Association, submission 2, pages 4.

Woolworths representative at the inquiry, James Aylen, also noted shoppers are working to do their own unit pricing, saying “there are customers now; I have seen them with their calculators adding up their grocery bills ...”.¹⁰

But most people do not have the time to do their own unit pricing, with the Australian Competition and Consumer Commission’s (ACCC) concluding:

Unit pricing assists consumers by improving the pricing information available to them. Consumers often do not have the time, inclination or in some cases the ability to accurately analyse which product has the lowest unit cost in a timely manner. Unit pricing is a tool that would make it easier for consumers to acquire and process pricing information and assist them in engaging in a meaningful price search. There appears to be broad support for unit pricing, with the ACCC’s consumer survey finding that 76 per cent of consumers contacted consider that unit pricing would be helpful.¹¹

Debate over the parameters of unit pricing

Over recent months Australia’s two biggest supermarket chains Woolworths and Coles have moved from opposition to unit pricing to support. Aldi has already introduced unit pricing into its shops. But it has been found that:

Aldi’s system and Woolworth’s current trial in a Sydney supermarket, both of which are voluntary, do not fully meet consumer requirements, ... especially regarding presentation of information and units of measurement.¹²

There is concern the supermarkets are introducing a type of unit pricing that may suit supermarkets more than families, with disputes over the size of the unit price on shelf labels, the standard units of measurement to be used by supermarkets, the level of information given to families and the range of groceries to be covered by the scheme.

The Queensland Consumers Association stated:

... there are pressures from the retailers to have systems which perhaps are more to their advantage than to the consumers’ advantage, and we think they should be resisted. It is particularly important that we have a system, as is provided for in this bill, which makes it very easy for consumers to see and also to use the unit price information.¹³

Mr Jarrett from the QCA argued that:

9 Choice, submission 9, page 2.

10 Mr Aylen, Woolworths, Committee Hansard, 6 August 2008, page 7

11 Australian Competition and Consumer Commission, *Report of the ACCC inquiry into the competitiveness of retail prices for standard groceries*, July 2008, page 450

12 Queensland Consumers Association, submission 2, page 5.

13 Mr Jarrett, Queensland Consumers Association, Committee Hansard, 11 August 2008, page 7

We have to remember that retailers are in business to make money for their shareholders. We also have to remember that the majority of retailers in Australia have vigorously opposed the introduction of unit pricing on either a voluntary or a compulsory basis for many years. So we have to recognise that they may not have the consumer's or the economy's interests at heart.¹⁴

Unit of measure

The basic units of measure chosen for unit pricing are important to the success of the system. Family First has carefully selected kilograms and litres as the best standard measures to give consumers price information.

Woolworths argued it had chosen a smaller unit of measure for simplicity:

We wanted to have the one measurement across all categories, across all products, and we chose 100 millilitre for simplicity. That was the only reason. There was certainly no other reason around why we chose 100 millilitre rather than one litre.¹⁵

But Ms Rich from the Consumer Action Law Centre pointed out:

In overseas jurisdictions you tend to see where they have gone through this process that, when they have said, 'Yes, we will do unit pricing', the retailers have pushed for the adoption of smaller units of measurement as the base units. The reason for that is reasonably clear. The smaller the units, the smaller the price difference between different products or different sizes and the less it looks like there is a saving to be made to the consumer and the less it drives the consumer to make a decision based on that information. The bigger the units, the clearer the price differences are and the clearer the consumers can see quickly that there is a difference in price and can make a decision based on that.¹⁶

Family First believes that litre and kilogram should be the standard measures for grocery products.

Size of unit price displayed on shelf labels

The absolute size of the font for the unit price and the font size relative to the size of the overall price of the product are crucial to ensure consumer awareness and use of unit price information.

Family First's bill specifies that the size of the text giving the unit price information should be either 10 millimetres or 50% the size of the font of the text giving the selling price, whichever is greater.

14 Mr Jarrett, Queensland Consumers Association, Committee Hansard, 11 August 2008, page 7

15 Mr Ayles, Woolworths, Committee Hansard, 6 August 2008, page 4

16 Ms Rich, Consumer Action Law Centre, Committee Hansard, 6 August 2008, page 9

The Consumer Action Law Centre emphasised this point:

The research that we have looked at, and I think you would have also, shows that larger font sizes displayed next to the actual sale price of the item are necessary. If it is too small, consumers cannot see it without bending over the shelf, and people will not bend over the shelf every time they select a product in the supermarket.¹⁷

Mr Jarrett from the Queensland Consumers Association stated:

Evidence here and from overseas, including New Zealand, where Woolworths provide unit pricing in some of their stores, suggests that there is a definite tendency for retailers to make the unit price extremely small so that it is less noticeable to consumers and consumers do not use it as much.¹⁸

In the supermarket close to where I am [in New Zealand], I can crawl on my hands and knees on the floor of the supermarket and still cannot read the unit price information on the bottom shelf.¹⁹

Mr Jarrett commented on the Woolworths trial of unit pricing at its Baulkham Hills stop in Sydney:

I was extremely disappointed that the font size on the shelf labels where they were provided was down about two to 2½ millimetres. They may have increased it slightly since then but, even if they made it slightly larger, it is still insignificant and impossible to read on the bottom shelves.²⁰

The Consumer Action Law Centre described the 2.5 millimetre font as “tiny” and “unreadable”.²¹

Clear guidance is needed to supermarkets on the size of the print of the unit price information as it has:

... huge effects on consumer awareness and use of the information. Consequently, compulsory national standards are needed for the major components of presentation. For example, overseas experience shows that when only general guidance on size of print is given in regulations, for example clearly legible, the size varies greatly between retailers and often is far too small.²²

The size of unit pricing information on shelf labels is a make or break question for the success of unit pricing in Australia.

17 Mr Ashton, Consumer Action Law Centre, Committee Hansard, 6 August 2008, page 8

18 Mr Jarrett, Queensland Consumers Association, Committee Hansard, 11 August 2008, page 7

19 Mr Jarrett, Queensland Consumers Association, Committee Hansard, 11 August 2008, page 7

20 Mr Jarrett, Queensland Consumers Association, Committee Hansard, 11 August 2008, page 8

21 Mr Ashton, Consumer Action Law Centre, Committee Hansard, 6 August 2008, page 11

22 Queensland Consumers Association, submission 2, page 6.

Information given to families about unit pricing

An information campaign to inform families of the existence and benefit of unit pricing information is necessary for the success of the scheme:

Unit pricing is designed to make it easier for consumers to save money by comparing prices. It is a consumer information tool. Therefore, it will be more effective if an education campaign coincides with the introduction of unit pricing. This education campaign should have as its goal the transmission of knowledge regarding what unit pricing is and how it can be used.²³

Woolworths pointed out that many customers were still not aware that unit pricing information was available in their test site:

I am not quite sure if you are aware that we had *A Current Affair* in our Baulkham Hills store on Friday. They randomly asked a couple of customers and some said they did not even know it existed yet. It has been in the store for five months. Some other customers had seen it and said that they like the idea and they do actually look at it.²⁴

Family First's unit pricing bill provides for an information campaign:

Consumer Action supports the proposal to require supermarkets to display posters explaining unit pricing and to distribute pamphlets explaining unit pricing. Appropriate consumer information on the website of the Australian Competition and Consumer Commission would also be appropriate, as would be a short-term government information campaign through the media.²⁵

An information campaign to inform families how to use unit pricing to save money is a key component of a successful scheme.

Range of groceries covered by the scheme

Concerns were also raised over the limited range of groceries supermarkets may cover with a unit pricing scheme, unless there is clear direction given in legislation like Family First's bill.

Mr Jarrett from the Queensland Consumers Association commented on the Woolworths trial:

They are also not giving the unit prices for many of the products in their shop that we think they should. For instance, when I was there, they were not giving any unit prices for the small continental cheeses that were in one area of the store but they were giving unit prices for cheeses in another part

23 Consumer Action Law Centre, submission 7, page 4.

24 Mr Aylen, Woolworths, Committee Hansard, 6 August 2008, page 6

25 Consumer Action Law Centre, submission 7, page 4.

of the store. That makes it difficult for consumers to make comparisons. They were not giving any unit prices at all for prepackaged fruit and vegetables, and they were not giving any unit prices for the wide range of paper products that there are in the store. As I say, I went there expecting a really good system and I was terribly disappointed.²⁶

The Woolworths trial is limited to products measured by 100 grams or 100 millilitres, which means there is a danger many products would not be covered by a voluntary Woolworths scheme:

The trial we have at the moment covers any product in a litres or grams, and yes, it goes to 100 millilitres or 100 grams. During the trial we had not looked at other measurements. We have in the intermediate time looked at other measurements but we have not completed the work to implement them at this point in time. The challenge comes as to how you measure some of these products, and if any measure is actually valid. If we look at toilet rolls, for example, is it per roll; is it per each; is it per pack; is it per sheet; or is it per metre? There are a number of different ways to measure, and then you have one, two, three and four ply. It sounds simple, but what is the accurate measure for each of those areas?²⁷

But the Consumer Action Law Centre dismissed these concerns:

... we have seen the saffron and toilet paper examples. I should point out that I have seen toilet paper included in systems in the US. You can do it per count, and issues concerning the quality and whether it is two or three ply. They are issues of quality. I do not think we should assume that consumers do not understand those things.²⁸

It was also pointed out that:

The exclusion of toilet paper, or any other product type, because of quality differences is contrary to the fundamental objective of unit pricing to facilitate comparison of prices per unit of measure. Quality is a completely separate issue. Exclusion of products because of quality differences effectively means not providing a unit price for any product with competing brands or different qualities within a brand!²⁹

Unit pricing has been in operation in parts of the world for more than 30 years. The question of how to measure different products has been solved in other jurisdictions and is not a major problem.

also have a product called saffron from one of our suppliers, and if we had the price per kilogram, it would be \$134,000 per kilogram.³⁰

26 Mr Jarrett, Queensland Consumers Association, Committee Hansard, 11 August 2008, page 8

27 Mr Ayles, Woolworths, Committee Hansard, 6 August 2008, page 4

28 Ms Rich, Consumer Action Law Centre, Committee Hansard, 6 August 2008, page 10

29 Queensland Consumers Association, submission 2, supplementary submission, page 3

30 Mr Ayles, Woolworths, Committee Hansard, 6 August 2008, page 4

Family First wants unit pricing implemented in Australia as a matter of urgency. Although there were varying estimates of the cost of implementation, the cost of implementation is a once only cost, with the benefits continuing into the future.³¹

ACCC inquiry

In July the ACCC reported to the Federal Government the results of its inquiry into grocery prices. The ACCC recommended:

... a mandatory, nationally-consistent unit pricing regime be introduced for standard grocery items both on in-store price labels and in print advertising. The ACCC recommends that the unit pricing regime apply to significant supermarkets, including Coles, Woolworths, ALDI and large independent stores. Smaller stores will face higher implementation costs relative to turnover compared to larger stores. The ACCC therefore considers that before unit pricing is introduced a detailed cost-benefit analysis should be undertaken to determine which stores unit pricing should apply to.⁴⁵ Grocery outlets not required to comply with the unit pricing regime should be allowed to display unit prices on a voluntary basis. If they choose to do so, they should be required to comply with the mandatory requirements.³²

The Federal Government accepted the ACCC's recommendation and announced that:

The Government will consider the best way to introduce a mandatory nationally-consistent unit pricing regime. Issues such as the product range that's captured and store size will need to be worked through in consultation with industry to ensure compliance costs are kept to a minimum. Unit pricing has proven to be a transparent and popular tool for overseas consumers.³³

The government's announcement does not give any detail of how unit pricing will be implemented. Family First's *Unit Pricing (Easy comparison of grocery prices) Bill 2008*, according to the Consumer Action Law Centre, provides a "sound basis ... that we could work off for a national, uniform, mandatory scheme."³⁴

31 Ms Rich, Consumer Action Law Centre, Committee Hansard, 6 August 2008, page 11-12

32 Australian Competition and Consumer Commission, *Report of the ACCC inquiry into the competitiveness of retail prices for standard groceries*, July 2008, page 456

33 Media release: *Rudd Government releases its preliminary action plan in response to the ACCC's grocery inquiry*. Chris Bowen, Assistant Treasurer and Minister for Competition Policy and Consumer Affairs. 5 August 2008.
<http://assistant.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/065.htm&pageID=003&min=ceb&Year=&DocType=> (accessed 29 August 2008).

34 Ms Rich, Consumer Action Law Centre, Committee Hansard, 6 August 2008, page 13

Conclusion

Family First introduced legislation to implement unit pricing in May, with the ACCC subsequently recommending and the Federal Government announcing it would implement a mandatory national scheme.

The Committee's report identifies four areas of concern in the bill, each of which can be dealt with by simple amendments to the legislation.

Family First's *Unit Pricing (Easy comparison of grocery prices) Bill 2008* details a unit pricing scheme that can be implemented now, so there is no excuse for the Rudd Government to delay the scheme.

Senator Steve Fielding
Leader of Family First