

## CHATO International Pty Ltd

ABN 67 612 560 568

# Executive Summary: Addressing Cost of Living through Transparent Unit Pricing

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## CHATO International Pty Ltd Submission to the Select Committee on the Cost of Living

In response to the urgent need for addressing the escalating cost of living in Australia, CHATO International Pty Ltd submits this comprehensive document to the Select Committee on the Cost of Living. This submission draws upon our previous presentation (Submission No. 154) to the Senate Committee on Supermarket Pricing and introduces a detailed white paper developed to propose remedial actions for the identified issues.

### Background and Issue Identification:

Our initial analysis, presented to the Senate Inquiry, revealed significant discrepancies in supermarket unit pricing, with variances ranging from 40% to 100% across a market sector worth \$2.7 billion annually. These anomalies not only inflate the cost of living by obscuring price transparency but also severely limit consumer ability to make economically sound choices.

### Proposed Solutions and Benefits:

Building on the foundational insights from our Senate submission, our white paper elaborates on potential corrective actions that, if implemented, could harmonize unit pricing across the industry. We recommend specific amendments to the Competition and Consumer (Industry Codes - Unit Pricing) Regulations 2021. These changes are designed to enhance clarity and uniformity in the way prices are displayed, which we believe will directly contribute to reducing the financial burden on consumers.

### Impact on Government Services:

By aligning unit pricing standards with the principles of transparency and consumer protection, government services can more effectively fulfill their role in safeguarding consumer interests and supporting economic stability. Our recommendations aim to facilitate a market environment where informed consumer choices drive competitive pricing, ultimately benefiting the entire economy.

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### **Conclusion and Call to Action:**

CHATO International Pty Ltd urges the Senate Select Committee on the Cost of Living to consider these findings and proposals seriously. We are committed to engaging with stakeholders and policymakers to refine and implement these strategies. By adopting these measures, we can collectively ensure that cost of living pressures are not exacerbated by preventable inefficiencies in market pricing practices.

### **Contact Information:**

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CHATO International Pty Ltd

## **CHATO International Pty Ltd Executive summary, part of submission no 154 to the Senate Committee on Supermarket Pricing**

### **Executive Summary: Irregularities in Retail Unit Pricing** CHATO International Pty Ltd ABN 67612560568

### **Overview**

The document 'Irregularities in Retail Unit Pricing' presented by CHATO International Pty Ltd. Covers extensive research into discrepancies and potentially misleading practices in unit pricing across major grocery retailers in Australia. With the annual sales in the market sectors reviewed exceeding \$2.7 billion, the findings underscore substantial, across the board consumer impact, particularly during times of cost of living pressures.

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### Relevant terms of reference:

(d) the prevalence of opportunistic pricing, price mark-ups and discounts that are not discounts;

((g) improvements to the regulatory framework to deliver lower prices for food and groceries;

### Key Insights

1. **Lack of Transparency in Unit Pricing:** The ACCC guidelines mandate clear unit pricing to aid consumers in making informed decisions. However, examples like the “canned” salmon and olives below demonstrate significant discrepancies between actual product content and unit pricing advertised, misleading consumers about true costs.

2. **Consumer Law and Misleading Conduct:** Under the Australian Consumer Law, misleading or deceptive conduct in trade or commerce is prohibited. The practices observed, where unit pricing includes significant quantities of preservatives or carriers (like water), clearly contravene these principles.

3. **Impact on Consumers:** In times of economic stress, consumers rely heavily on pricing to make cost-effective decisions. The lack of clarity and transparency directly affects their ability to choose wisely and manage budgets effectively, particularly when over 90% of reviewed prices showed irregularities.

#### Illustrative Examples

Product	Advertised Unit Price	Actual Content	True Unit Price of fish content	Consumer Impact
Salmon in Springwater	\$15.79/kg	61% salmon	\$26.32/kg	Misleading lower price shown
Always Fresh Kalamata Olives	\$7.55/kg	50% olives	\$15.10/kg	Doubled cost vs. advertised

### Examples demonstrating the perceived value discrepancy in pricing.

Price \$	% Fish	% Water	Net content g	“Unit Price”\$ (Net)	Fish content unit price\$
\$1	61	39	100g	\$10/kg	\$16.40/kg
\$1	71	29	100g	\$10/kg	\$14.00/kg

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\$1	100	0	100g	\$10/kg	\$10.00/kg
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Unit priced based on their total net content without accounting for the actual quantity of the primary ingredient—in this case, fish. Consequently, two cans of the same size, one with a higher percentage of fish and one with a lower percentage (but possibly containing water or other fillers), may be priced similarly, even though their actual content value differs significantly. This can lead consumers to perceive an unfair pricing model, as the can with more filler does not provide the same value in terms of the primary ingredient but costs the same. This could also touch upon the concepts of "transparent pricing" or "value-based pricing," which suggest that prices should align more closely with the product's intrinsic value or composition.

### Conclusion

The data reveals a longstanding issue with transparency in unit pricing that has significant implications for consumer trust and purchase decision-making. It is imperative that these findings be brought to the attention of the Senate enquiry into supermarket pricing. We recommend:

- Immediate review and enforcement of unit pricing guidelines.
  - Strengthening regulations to ensure all components of a product are clearly delineated in the pricing.
  - Regular audits by regulatory bodies to enforce compliance.
- The goal is to restore consumer confidence and ensure fair pricing practices.

Note: The report reviews, Over 60 samples covering more than 50% of the market offering by manufacturer and segments specifically "Canned" Fish, vegetables, beans and pulses, fruit and cheese in liquid.

Woolworths, Aldi and Coles pricing reviewed.

Note Coles and Woolworths catalogues from 2014 have the same irregularities in unit pricing.

# White Paper on Corrective Actions for Unit Pricing in Australian Supermarkets

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### 1. Introduction

The issue of ambiguous unit pricing in Australian supermarkets has significant consumer impact. Recent submissions to the Senate committee, including Submission 154 (Ref A), have highlighted specific instances where unit pricing does not reflect a clear and unambiguous price per unit of the actual product contents. Examples include canned salmon in spring water and olives in brine, where the liquid component significantly skews the perceived cost effectiveness.

### 2. Executive Summary

This white paper seeks to address the pervasive issues identified with unit pricing practices in supermarkets, focusing on products where the contents are an aggregate of solid and liquid components. It proposes amendments to the current Unit Pricing Code to ensure clarity and accuracy, enhancing consumer protection and market transparency.

### 3. White Paper Corrective Action Proposal

The proposal includes amending the Unit Pricing Code to require clearer labeling of the net key ingredient in aggregate products. This includes implementing a Net Unit (NU) label that reflects the actual content of the primary ingredient per measure in the container, (i.e., NU=20g) alongside a suggested phased rollout of these changes.

### 4. Consumer Federation's Analysis

The Consumer Federation's submission to the "Competition and Consumer (Industry Codes—Unit Pricing) Regulations review 2021" (Ref B) criticized the current guidelines for not mandating accuracy in unit pricing, leading to significant consumer confusion and potential financial detriment.

### 5. Review of the Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021

In 2021, the regulations were reviewed and remade with minor updates to modernize language but no significant changes to the unit pricing practices, despite ongoing consumer advocacy for clearer pricing standards.

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### **6. Key Sections of the Act**

This section outlines the relevant parts of the “Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021,” (Ref C) focusing on the requirements for displaying unit prices and the conditions under which certain products are exempt.

### **7. Conclusion**

The white paper concludes that while the remade Unit Pricing Code includes modernized language and some organizational changes, substantial revisions are necessary to address the underlying issues with unit pricing, particularly for products sold in an aggregate form. The proposed changes aim to align unit pricing practices with consumer expectations of transparency and fairness.

### **8. References**

A: Submission 154 to the Senate committee.

B: Consumer Federation's submission analysis.

C: Excerpts from the “Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021.”

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