



30 January 2024

## **SECOND SUBMISSION TO SENATE SELECT COMMITTEE INQUIRY INTO SUPERMARKET PRICES**

### **BACKGROUND**

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 grocery price transparency and fairness 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.

Therefore, our first submission to the inquiry was only about **grocery unit pricing**. However, we are also very interested in, and concerned about, many other supermarket price issues some of we discuss below.

### **PRICE ISSUES**

#### **1. Justification of prices.**

##### Comments

Given the cost of living pressures and reduced living standards being experienced by so many households it is essential that supermarket prices are not any higher than absolutely necessary. Therefore, we hope that the inquiry will as a minimum result in the publication of information about the factors that influence the prices supermarkets charge for a wide range of products (for example for fresh foods sold loose from bulk or pre-packaged; processed foods; laundry and cleaning products.)

**2. Justification of the often large and inconsistent differences in the unit price (price per unit of measure) between product sold loose from bulk and pre-packaged, and different package sizes of the same product.**

Comments

This is very important because many consumers use heuristics (rules of thumb) to assess value for money. For example, they assume that ALL products sold loose from bulk will have a lower price per unit of measure than the same product sold pre-packaged. However, our research shows that this is not the case for many products. Similarly, many people assume that the price per unit of measure will always be lower for the large pack of a particular product. However, our research shows that this is not always the case, especially when the price of the smaller pack size is temporarily reduced. Also, if people cannot afford, or do not need, large packages the much higher unit prices of small packages increases their cost of living.

**3. Pricing policies for stores in different locations (e.g. in metro and regional) and of different sizes, and for online purchases.**

Comments

The supermarkets should make information about their instore pricing policies for stores in different locations and of different sizes much clearer and more accessible to consumers and indicate clearly and prominently on websites the stores that the online prices apply to. At present, it is difficult for consumers to obtain such information which they need to be able to make informed choices, including when shopping instore and wanting to go online to check prices at other supermarkets.

**4. Clarity and accuracy of limited time promotional offers and the advertising of ongoing price reductions.**

Comments

A large proportion of the prices displayed in many supermarkets are now promotions/special offers to appeal to the positive bias consumers have for offers that might save them money. However, often it is difficult for consumers to assess the value for money of such offers. Also, it is not always clear what the non-promotion price was and when and for how long it was charged. Consumers need to have confidence that the non-promotional price had been charged for a substantial period of time prior to the special offer. A limit is also needed on the how far back a “was” price can be referred to in a special offer. We have seen many examples of price reductions still being advertised years after the reduction occurred. After a specified period of time the reduced price should only be displayed as the regular price.

Supermarkets also need to ensure that price reductions are accurate e.g. that an advertised 25% price reduction actually is 25% lower than the regular price.

**5. Influences on prices of policies that limit the amount by which prices are increased or decreased.**

Comments

Many supermarkets seem to have policies that result in the price of most products ending in 9 cents. This is likely based on the assumption that many consumers will regard a price of 99 cents as being substantially less than if the price is shown as \$1 and will therefore be more inclined to buy the product. While we consider that this approach to pricing can make grocery shopping more complex and confusing for consumers than it should be, our main concern is if it reduces the ability of supermarkets to accurately reflect changes in costs when prices are being increased or decreased. For example, does increasing the price of a product only in increments of 50 or 99 cents to ensure that selling prices end in 49 cents or 99 cents result in price increases greater than justified by increased costs? The inquiry should investigate and report on this matter.

**6. Not indicating sufficiently clearly when the final price of a pre-packaged product will be determined by a price per unit of weight.**

Comments

Instore this problem arises with pre-packaged products of variable weight. The label on each item of the product shows the weight, the price per kg and the total price. However, a shelf label for all these items is usually also provided and it may not always clearly indicate the price per kg that will be used to determine the final price. For example, \$9, not \$9 per kg, may be displayed on the shelf label. This is confusing and potentially misleading for consumers. Supermarkets need to ensure that such shelf labels clearly show the price per kg.

**5. Lack of clear information about when the unit price of a product has increased due entirely, or partially, to reducing the quantity in the package.**

Comments

This practice is now often called “shrinkflation” and it has become much more prevalent in recent years because many businesses consider that reducing the quantity rather than increasing the price has a less negative effect on sales and profit margins. Also, some businesses have reduced the quantity and the selling price, but the latter by much less than the former. At present, consumers can only accurately<sup>1</sup> be aware that shrinkflation has occurred by knowing both the previous and the new quantity and the old and new prices.

In Europe, we understand that concerns about the extent which shrinkflation has increased unit prices, and the reductions in price transparency and informed consumer choice, have resulted in some governments considering requiring retailers to identify such products for their customers. And, some supermarkets are voluntarily doing this. This is an issue that the inquiry should investigate and report on.

**6. Non provision by some supermarkets of a full range of products sold loose from bulk as well as pre-packaged.**

Comments

Being able to buy some products loose from bulk: allows consumers to choose exactly how much they want to buy; reduces food waste at home; and reduces use of plastic packaging. It may also allow shoppers to pay less per unit of weight. Therefore, for certain products, such as fruit and vegetables, we believe that wherever possible when a product is sold pre-packaged supermarkets should also provide it loose from bulk.

**7. Non-provision by some supermarkets of weighing scales near relevant products.**

Comments

Providing accurate weighing scales for use by consumers near products sold loose from bulk or in packages where more than one quantity measurement is displayed is very beneficial for consumers. However, such scales are not provided in some supermarkets. The consumer benefits include that it allows them to:

- Buy the exact amount of a product they want when it is sold loose from bulk.
- Calculate how much they will have to pay for the selected amount a product being sold loose from bulk.
- Compare the unit prices per unit of weight of products sold: loose from bulk in terms of both weight or per item; or in packages where the quantity information on the package may show the weight, the number of items, or no quantity information. Examples of such products include oranges and avocados.
- Compare the weight of various items of products that are usually only priced per each, for example continental cucumbers and cauliflowers.

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<sup>1</sup> Knowing both the previous and the new unit price is not an accurate indicator because the unit price may have increased only because of an increased selling price.

Therefore, we consider that all supermarkets should be required provide weighing scales near relevant products for use by customers.

### **8. Policy and implementation when the price at the checkout is higher than indicated on instore labels or online.**

#### Comments

When checkout scanners were first introduced, there was a voluntary, industry administered national code of conduct on how consumers would be treated if the price at the checkout was higher than that indicated where the product was located and the industry body acted as an arbitrator of disputes. Also, many consumers were aware of the code. Broadly, subject to certain conditions, the policy was that if the scanned price was higher than the displayed price the customer was entitled to the first product free.

However, each supermarket chain now appears to have its own policy and consumer awareness of each policy seems to lower than it could and should be. Therefore, it would be very beneficial for consumers and increase their trust and confidence in the industry if: supermarkets reviewed their policies; there was more consistency between policies; more customers were aware of and understood the policies; and staff were more able to correctly implement the policy. For example, customers and staff need to know clearly whether the first product free provision applies only after or also before payment has occurred.

### **9. Policy and implementation when products on special are out of stock.**

#### Comments

Prior to the COVID 19 pandemic the two largest supermarket chains provided a service (commonly referred to as a “raincheck”) which involved a voucher being issued to a customer, guaranteeing that a reduced price item which was out of stock could be purchased on a later date at the same special price. This was very helpful for consumers seeking value for money and very equitable.

However, unfortunately only one supermarket chain has resumed providing the service post the Covid pandemic. As a minimum, we consider that the supermarket still providing the service should increase customer awareness of the policy and ensure that staff implement it correctly. Ideally, all major supermarkets should provide such a service.