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White Paper on Corrective Actions for Unit Pricing in Australian Supermarkets

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Contents

| | |
|---|---|
| 1. Introduction..... | 1 |
| 2. Executive Summary..... | 2 |
| 3. White Paper Corrective Action Proposal..... | 2 |
| Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021 | 2 |
| 4. Review of the Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021..... | 2 |
| 5. Key Sections of the Act | 2 |
| 6. Consumer Federation's Analysis | 2 |
| 7. Queensland Consumers Association (QCA) Submission..... | 2 |
| 8. CHOICE Submission Summary (2021) (Ref E)..... | 3 |
| The Senate Select Committee on Supermarket Pricing | 3 |
| 9. ACCC Submission Summary (2024) (Ref F) | 3 |
| 10. CHOICE Submission Summary (2024) (Ref G) | 3 |
| 11. Consumer Federation of Australia Submission Summary (2024) (Ref H) | 3 |
| 12. Queensland Consumers Association Submission Summary (2024) (Ref I) | 4 |
| 13. Treasury Submission Summary (2024) (Ref J)..... | 4 |
| 14. Authors personal experience with consumer complaints on the topic. | 4 |
| 15. Conclusion | 5 |
| 16. References | 5 |

1. Introduction

This document is Revision 1 of the Corrective action White Paper submitted as part of CHATO Internationals previous submission. R1 has included additional references to support this proposal.

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Unit pricing in Australian supermarkets significantly impacts consumers. Submissions, including Submission 154 (Ref A), highlight that unit pricing often fails to clearly reflect product costs. Examples include canned goods where liquid content skews cost effectiveness. This white paper argues for changes to unit pricing calculation to provide clearer, more accurate information.

2. Executive Summary

This white paper addresses issues in unit pricing, particularly for products with both solid and liquid components. It proposes amendments to the Unit Pricing Code to ensure transparency, enhancing consumer protection and market competition.

3. White Paper Corrective Action Proposal

Amend the Unit Pricing Code to require clear labeling of the net key ingredient in aggregate products. Implement a Net Unit (NU) system that reflects the actual content of the primary ingredient per measure (e.g., NU=20g). This data will aid in calculating unit price and providing reliable information to consumers. A customer awareness campaign would be advised to assist in rollout of the change.

Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021

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

In 2021, regulations were updated with modernized language but lacked significant changes to unit pricing practices despite consumer advocacy for clearer standards.

5. Key Sections of the Act

This section outlines relevant parts of the Competition and Consumer (Industry Codes—Unit Pricing) Regulations 2021 (Ref C), focusing on display requirements and exemptions.

6. Consumer Federation's Analysis

The Consumer Federation's 2021 submission (Ref B) criticized the guidelines for not mandating accurate unit pricing, leading to consumer confusion and financial detriment.

7. Queensland Consumers Association (QCA) Submission

The QCA's 2021 submission (Ref D) made several key recommendations:

- Use drained weight for unit pricing when available (R20).
- Advocate for government-commissioned research on unit pricing issues (R26).
- Increase publicly funded consumer education (R25).
- Propose regular reviews and stakeholder meetings for ongoing improvements (R28).

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8. CHOICE Submission Summary (2021) (Ref E)

Highlighted Recommendations:

1. Increase ACCC's monitoring and enforcement for consistent unit measurements (Recommendations 5 and 6).
2. Coordinate with NMI for easy price comparisons (Recommendations 5 and 6).
3. Base unit prices for foods intended to be drained on drained weight (Recommendation 7).

The Senate Select Committee on Supermarket Pricing

9. ACCC Submission Summary (2024) (Ref F)

Key Points:

- The ACCC has identified harmful trading practices not adequately addressed by current Australian Consumer Law (ACL). These include:
 - Harmful conduct not reaching the threshold for unconscionable conduct.
 - Practices causing consumer confusion without being misleading.
 - Issues not covered by unfair contract term provisions.

10. CHOICE Submission Summary (2024) (Ref G)

Key Findings:

- Consumer Behavior: 38% seek value through sales, 23% compare unit prices, 20% buy own-brand.
- Impact of Unit Pricing: Best value identification improved with unit pricing (74% vs. 60% without).
- Usage and Issues: 44% use unit pricing to save, 80% use it regularly, but 71% encounter issues.

Recommendations:

1. Increase ACCC resources for monitoring and enforcing the Grocery Unit Pricing Code.
2. Expand the Code to cover non-grocery stores.
3. Mandate specific labeling standards for unit pricing.

11. Consumer Federation of Australia Submission Summary (2024) (Ref H)

Recommendation:

- Increase ACCC resourcing to prioritize monitoring and enforcing compliance with the Grocery Unit Pricing Code.

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12. Queensland Consumers Association Submission Summary (2024) (Ref I)

Key Points:

1. Improve ACCC monitoring and enforcement to enhance consumer awareness and usage of unit pricing.
2. Conduct an independent, comprehensive review of the unit pricing system to enhance its effectiveness, requiring changes to the Code and national measurement legislation.

Economic Impact:

- Increased unit pricing access and use would boost price transparency and consumer savings, with significant annual benefits relative to low costs.

Recommendations:

- Prioritize and resource ACCC for monitoring and enforcement.
- Commission an independent national review to assess and improve unit pricing legislation and administration.

13. Treasury Submission Summary (2024) (Ref J)

Key Points:

1. The Unit Pricing Code is a mandatory code under Part IVB of the CCA.
2. Unit pricing facilitates consumer value assessments using standard measurements.
3. The submission highlights shortcomings in current unit pricing clauses.

14. Authors personal experience with consumer complaints on the topic.

I submitted a complaint to consumer affairs in Victoria in August 2020 as follows:

Case reference: C2020/08/015483

I have a serious systemic issue that cant be addressed by your standard process. I find that Supermarkets in general are using the gross not net content weight to provide their in store per kg pricing advice on a variety of dairy cheeses.

An example is Marinated goat cheese at coles and woolworths. eg Meradith 550g on the label, serves per pack 13 serve size 25g so a deduced net of 325g

The supermarket advisory is \$36.36kg and the actual based on net is \$61.53

This is a complex issue as the supplier does not specify gross or net.

It is endemic in these type of packages and products and supermarkets. Can you assist?

I was referring to the “unit price” at the time. The reason for inclusion here is 2 fold namely:

- 1 The unit price issue has been with us a long time.
- 2 I asked for a copy of my complaint for a “proof of life” because all attempts to follow up on “progress of complaints” are met with, “sorry we cant do that for privacy reasons!” So after almost 4 years I still don’t have an answer and for privacy reasons never will.

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“Dear Andre Dyhin,

Recent to a request for a copy of the two submissions referenced above, please find the following PDF attached.

Copy of complaints for case numbers C2020/08/015483 and C2020/08/015539

Sincere regards,

Information and Dispute Services Centre

Consumer Affairs Victoria



15. Conclusion

The white paper concludes that substantial revisions are needed to address issues with unit pricing, particularly for products sold in aggregate forms. The proposed changes aim to align unit pricing practices with consumer expectations of transparency and fairness, upholding their right to make informed choices based on reliable information. A corrective action of using a Net Unit (NU) system that reflects the actual content of the primary ingredient per measure is proposed to assist in alleviation most of the issue.

16. 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.”

D: The QCA’s 2021 submission to the Treasury's review.

E: CHOICE Submission Summary (2021).

F: ACCC Submission Summary (2024).

G: CHOICE Submission Summary (2024).

H: Consumer Federation of Australia Submission Summary (2024).

I: Queensland Consumers Association Submission Summary (2024).

J: Treasury Submission Summary (2024).