

# Chapter 7

## Methods for comparison of grocery prices

7.1 There are a number of grocery price comparison websites already in operation. In Australia, a website called BestPriceDirectory.com.au describes itself as:

... a grocery stores and supermarket comparison site that has been monitoring grocery prices for over four years. We find and compare grocery prices from grocery stores and supermarkets in Australia and from these grocery prices a Product Value Index or 'PVI' is calculated based on the individual product price history, as well as a price comparison with similar grocery products, to reveal which product brands are not only cheap, but the best value for money.<sup>1</sup>

7.2 Groceryguide.com.au compares the weekly catalogue specials of Coles and Woolworths (only for the Sydney area), enabling users to create their own customised shopping lists.<sup>2</sup> Lasoo.com.au also allows users to browse the specials catalogues of participating retailers, including grocery stores, acting as a 'pre-shop' search engine.<sup>3</sup>

7.3 The UK grocery comparison website, mysupermarket.co.uk, has been in operation since October 2006. Privately funded and owned by a group of venture capital investors, it allows consumers to select items that are available from four of the UK's leading supermarket chains: Tesco, Asda, Sainsbury's and Ocado. The website compares the entire price of the chosen 'trolley' of items between the four supermarkets, and includes a 'swap and save' option, where cheaper alternatives are presented. The completed shopping list can then be sent to the retailer's own website to place an online order, if desired. The site claims that it can save users up to 20 per cent on their shopping bills.<sup>4</sup>

7.4 During the course of the inquiry, the committee was cautioned against comparing the Australian GROCERYchoice initiative to the UK website:

Across the world, there is no example we know of that succeeds in delivering the stated outcomes of GROCERYchoice—and certainly not mysupermarket.co.uk ... This site is a comparison site of online shopping offered by the four major supermarkets in the UK—note: not all the supermarket chains. Also, the prices displayed are not the prices displayed in local shops, and currently less than three per cent of UK shoppers have visited the site. Indeed, it just scraped into the top 1,000 most visited sites

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1 <http://grocery.bestpricedirectory.com.au/>

2 <http://groceryguide.com.au>

3 <http://www.lasoo.com.au/>

4 <http://www.mysupermarket.co.uk/>

in the UK. The site carries, at most, 40 per cent of the product range of a normal supermarket and it is visited predominantly by those aged between 35 and 45, who have a graduate level of education and are unlikely to have children. The site seems to appeal to full-time professionals rather than working-class families—not at all what GROCERYchoice was about.<sup>5</sup>

7.5 The Italian Government has set up a short message service (SMS) text system, with the help of consumer associations, whereby shoppers can check the average price of different foods in northern, central and southern Italy. Consumers type the name of the food product they want to price check into their mobile phones and send a free message to a dedicated number. The consumer will then receive an SMS stating the prices for that food item in different areas of the country.<sup>6</sup>

7.6 Ireland's National Consumer Agency (NCA) also announced in July 2009 that it intends to set up a grocery price comparison website, where real-time information is provided by retailers to help consumers make accurate comparisons on a basket of goods. The agency has called on all grocery retailers to cooperate. *The Irish Times* reported that the NCA:

... had examined the situation elsewhere, including the UK and Italy, where grocery prices are available on a real-time basis, and believed the provision of more frequent information than NCA has provided to date [six-monthly surveys] would be of value to consumers. It said if retailers and the agency worked together to provide clear information to consumers, this would send a very positive message.<sup>7</sup>

## Participatory price sensing

7.7 'Participatory sensing' is a recent technological phenomenon, which uses mobile phone and web-based technologies to enable the collection and sharing of local knowledge for applications in areas such as public health, urban planning, and natural resource management.<sup>8</sup>

7.8 Professor Chun Tung Chou and Dr Salil Kanhere of the School of Computer Science and Engineering at the University of New South Wales are working on participatory mobile camera-phone sensing systems to track prices in the petrol and grocery markets. They argue:

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5 Mr Alan Cadd, Informed Sources, *Proof Committee Hansard*, 6 October 2009, p 60.

6 Alka Marwaha, 'Italians dial up best food price', 27 July 2008, <http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/business/7525175.stm> (accessed 11 September 2009).

7 Conor Pope, 'Consumer body wants food prices listed online', 14 July 2009, <http://www.irishtimes.com/newspaper/ireland/2009/0714/1224250638376.html> (accessed 11 September 2009).

8 Linda Deng & Landon P Cox, 'LiveCompare: Grocery Bargain Hunting through Participatory Sensing', *HotMobile 2009*, 23-24 February 2009, p 2, [http://www.cs.duke.edu/~lpcox/deng\\_hotmobile09\\_camera.pdf](http://www.cs.duke.edu/~lpcox/deng_hotmobile09_camera.pdf) (accessed 24 September 2009).

There are compelling reasons for creating such a clearinghouse of up-to-date product pricing information, even for offline markets of brick and mortar stores. It could create arbitrage opportunities, wherein an enterprising person can leverage the price difference for profit. The availability of real-time price dispersion information can empower consumers to more effectively negotiate prices.

... Numerous consumer communities are already tracking price dispersion manually. A group of Hong Kong housewives divide themselves into teams to manually copy prices of selected staple grocery items in major supermarkets and local grocery stores, and upload the prices to a website, prompting a major Chinese newspaper to advertise weekly grocery prices across different stores on its website.<sup>9</sup>

#### 7.9 Giving evidence to the inquiry, Professor Chou explained:

For online markets there are a number of price comparison websites. For offline markets we know there is an application called ShopSavvy that has won the Google application challenge. This application enables you to scan a barcode with a mobile phone. Based on this barcode, it will tell you how much the item costs in the online market, and it may also make a few suggestions and tell you how much the item will cost in a number of local stores. There are a number of teams of people developing applications in order for people to get a better deal by using their mobile phone to search for better deals.<sup>10</sup>

#### 7.10 Professor Chou and Dr Kanhere have developed the *MobiShop* system which implements Optical Character Recognition on a mobile phone to extract pricing information from an image of a grocery receipt. Professor Chou said:

We want to make the data collection process both automatic and transparent so that there is as little human involvement as possible. This means that people can go about their own daily routines and still be able to voluntarily collect and share information. Ultimately we want to turn participatory sensing to low-cost and less labour-intensive methods to collect information for the public.<sup>11</sup>

#### 7.11 He also pointed out that participatory price sensing technology was still in its early stages and noted some of the ongoing challenges and risks, such as malicious users infiltrating the system with false data, and the difficulties of comparing fresh produce accurately.

#### 7.12 Treasury and the Australian Competition and Consumer Commission (ACCC) advised they had not undertaken any detailed analysis of participatory price sensing

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9 Nirupama Bulusu, Chun Tung Chou, Salil Kanhere, et al, 'Participatory Sensing in Commerce: Using Mobile Camera Phones to Track Market Price Dispersion', 2008, <http://web.cecs.pdx.edu/~nbulusu/papers/urbansense08.pdf> (accessed 24 September 2009).

10 Professor Chun Tung Chou, *Proof Committee Hansard*, 6 October 2009, p 106.

11 Professor Chou, *Proof Committee Hansard*, 6 October 2009, p 102.

and emerging technologies.<sup>12</sup> However, the ACCC commented on consumer demand for price transparency in the grocery sector:

... as a general proposition: we think that transparency is important, because consumers can best exercise their right of choice if they are aware of what is on offer.

... When you look at the retail grocery sector on a spectrum, it is probably towards the end of the spectrum – where there is a lot of information made available to the general public through the press, through mailbox drops and the like. So it is one where there is already a good deal of information available.<sup>13</sup>

7.13 Regarding future trends in online pricing information, Woolworths commented that:

...companies like Tesco, and Sobeys and Loblaw in Canada [are] creating quite innovative websites that really allow you to dig down and understand where they sit on that value spectrum ... I think what you will see in the Australian marketplace is more retailers pushing online. It will create a second market of aggregators that will go in, pull that information down and tell you what I think the government was trying to do in the first place with the GROCERYchoice website.<sup>14</sup>

7.14 Woolworths' current online shopping website does not charge the same prices as its bricks-and-mortar stores:

It operates as a separate entity and has a complete and separate cost structure and retail price structure. The internet 'shop' requires a Woolworths staff member to pick desired products from a Woolworths store and then deliver them to the customer. There is no relationship between prices charged for delivered goods ordered over the internet and those in the closest store to the customer.<sup>15</sup>

7.15 Associate Professor Peter Earl suggested that more online grocery pricing information could lead to new opportunities and competitive developments:

By using two web-browser windows, it is perfectly possible to compare the current costs of shopping [online] at Coles and Woolworths and work out which item to buy from which store. The problem, of course, is that, as yet, one cannot extend the comparison to rival chains such as ALDI and IGA in one's area, who might actually be offering the products for less but do not offer online shopping. Neither can one be sure that online prices are the

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12 Mr David Martine, Treasury, *Proof Committee Hansard*, 18 September 2009, p 14; Mr Mark Pearson, Australian Competition and Consumer Commission (ACCC), *Proof Committee Hansard*, 28 October 2009, p 6.

13 Mr Brian Cassidy, ACCC, *Proof Committee Hansard*, 18 September 2009, p 35.

14 Mr Andrew Hall, Woolworths, *Proof Committee Hansard*, 28 October 2009, p 22.

15 Woolworths, Answers to Questions on Notice (received 11 November 2009), p 5.

same as prices in the stores – and this is significant since economists would expect differences between online and in-store prices as part of such firms' price discrimination strategies.

If online grocery shopping becomes so common that all supermarket chains offer this service, it will become possible to compare like with like and, if this encourages greater entry by new chains (since access to prime mall sites will not be such a concern ...), the competitive situation that consumers will face will change drastically. Although such an environment will make it easier for consumers to shop rationally than they can right now even if there is no comparison website for groceries, such a website would be more likely to emerge if the number of players in the market increased greatly.<sup>16</sup>

