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**SUPPLEMENTARY SUBMISSION TO THE SENATE ECONOMICS COMMITTEE'S INQUIRY INTO THE UNIT PRICING (EASY COMPARISON OF GROCERY PRICES) BILL 2008**

13 August 2008

This supplementary submission is to provide the Committee with information which there was not time to supply at the Canberra hearing on 11 August 2008.

The information relates to:

1. Presentation of unit pricing information on shelf labels.
2. Errors in written submissions to the inquiry by retailers.

This information is provided below.

**1. Presentation of unit pricing information on shelf labels**

In our written submission, and at the hearing, we emphasised the need to show unit price information prominently on shelf labels and other price sign so that consumers are aware of, and can use, it easily.

We believe that the case for this is overwhelming. If this does not happen the benefits from unit pricing for Australian consumers and the economy will be greatly reduced.

The need for legislation to prescribe minimum sizes for the presentation of information for consumers is well recognised and occurs now in Australian legislation. For example, 3mm is the minimum size font for the presentation of unit price information on the labels on random weight packages of meat and some other foods. If the unit price is shown on a label not attached to the package, for example on a shelf label, the minimum size font is 10mm. Also, the Food Standards Code specifies minimum font sizes for the presentation of warning and country of origin information on any type of label.

Most USA states with compulsory unit pricing specify the minimum size font for the unit price information. This is the situation also in Sweden and probably in some other member nations of the European Union.

Some USA states and Sweden also specify some other presentational requirements designed to facilitate consumer awareness and use of unit price information, for example location on the label, background colour, and display of the words “unit price”.

We have not made any recommendations on these other aspects of presentation but wish to draw them to the Committee's attention.

They are illustrated in the example shelf tags shown in the Appendix.

We do however, wish to advise that academic studies have shown that prominently displaying unit pricing information significantly increases consumer awareness and use.

## **2. Errors in written submissions to the inquiry by retailers**

In our opinion, the written submissions by Woolworths and Aldi contain the following significant errors relevant to the Committee's consideration of unit pricing.

These are:

### **WOOLWORTHS**

*We have introduced unit pricing across our New Zealand supermarkets. (in executive summary)*

Comment:

Woolworths did not introduce unit pricing across its NZ supermarkets. Unit price information was already being provided when Woolworths purchased the business. Also, unit pricing is not provided at all the supermarkets involved in Woolworths NZ operations.

We note also that they appear to have not improved the systems, which have numerous deficiencies for consumers (including very small font sizes) and therefore are probably being used only by a minority of customers.

*Font size guidelines may also impede our ability to fulfill our obligations under the Food Standards Code, Standard 1.2.9 pertaining to legibility requirements for packaged foods. This standard states labels must be ‘in a size of type of not less than 3mm or in the case of a small package, in a size type of not less than 1.5mm’. This applies to all items on a package, including NIP, ingredients, country of origin, company name, address etc. (2.1 Font sizes)*

Comment:

The minimum font sizes specified in Standard 1.2.9 relate only to warnings, not to all items of information.

*The different thickness and paper quality of toilet paper suggests this item should also be excluded.(2.3 Handling items in packs)*

Comment:

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! Clearly, this is none sense. Unit prices must be provided for toilet paper and similar products. Trade measurement regulations require the display of a measure of quantity on packages of toilet paper and other similar products. Therefore, a unit price should be provided, as it is overseas.

*These parameters and comments made in section 2 above reflect the situation in Europe where retailers can “waive the obligation to indicate the unit price in the case of products for which such price indication would not be useful or would be liable to cause confusion for instance when indication of the quantity is not relevant for price comparison purposes, or when different products are marketed in the same packaging”.*  
(3. Recommended parameters)

Comment:

Waivers based on these criteria are allowed by the European Union's unit pricing legislation (Price Indications Directive - DIR98/6/EC). But, retailers can not use a waiver unless it is provided for in a country's own legislation.. (However, we do support exemption from unit pricing of products that consist of different products packed together. This exemption is easy to include in a unit pricing system and does not mean that the system itself would not work.)

*Moreover, retailers in Europe were given nine years to transition to the new system.*(3. Recommended parameters)

Comment:

The directive making unit pricing compulsory in member states was issued in 1998 and the final date for implementation was set at 2000 (ie 2 years for transition) but subsequently extended to 2002 (ie 4 years for transition ). The 9 year transition applied to a 1995 directive amending earlier directives on the indication of selling prices, not unit prices.

AL:DI

*The Aldi system of unit pricing is based on the intuitive UK approach, which has been widely supported by consumers in that country. (Measurement units)*

Comment:

We are unaware of any information which suggests that the UK system is “widely supported by consumers”. Our research in the UK indicates that usage of unit pricing is partly reduced by the units of measurement used. In addition, usage may be reduced by some consumers still being unfamiliar, or not confident, with metric measurements. (Furthermore, the font size for the unit price information, which in the UK is determined entirely by the retailer, is frequently far too small and this too greatly reduces consumer awareness and use of unit prices).

Furthermore, the Aldi measurement system differs considerably from the compulsory UK system.

The UK system has kg, litre etc as the required basic units of measurement for unit pricing. Other measurement units are mandated only for specific products listed in a regulation and only one unit of measurement is allowed for each specified product.

The Aldi system is based primarily on the measurement of the package. For weight and volume, it allows the use of three measurement units for unit pricing 10g/10mL, 100g/100mL, and kg/litre. This is confusing for consumers and inhibits comparison of unit prices within and between products which is easiest if there is only one unit of measurement. Furthermore, Aldi recognises this need by requiring that all fresh meat and all cheese products be unit priced per kg and all soft drinks and alcohol products per litre. The requirement for fresh meat and cheese seems to be based on the fact that bulk and random weight packs for these products must by law be unit priced per kg. This is a welcome attempt by Aldi to facilitate price comparisons within a product type. However, this principle should also apply within the Aldi system to many other products which must be unit priced in kg, for example, processed meats, fish, fruit and vegetables, nuts and dried fruit, and many dairy products. The principle Aldi has adopted for soft drinks and alcohol of unit pricing only per litre (because of the wide range in the package sizes of such products) is also welcome.

## APPENDIX: EXAMPLE PRESENTATIONS OF UNIT PRICE INFORMATION ON SHELF LABELS

*(Note: These examples are based on observations at supermarkets overseas. They are diagrams not actual shelf labels. To facilitate comparison of the presentation methods, the same product and selling price are used in each diagram.)*

### Example 1: Presentation\* required in several states in the north east of the USA and in Sweden.

The main features of this type of presentation are:

- Font size of the unit price is quite large relative to that of the selling price – generally at least 50 percent.
- The unit price is placed to the left of the selling price.
- The words “unit price” are printed on the label.
- The unit price information is placed on a specified or chosen coloured background.
- The unit of measurement used for the unit price is as specified in the legislation and normally is large, for example per lb or per kg.

<p><b>DICED TOMATOES 28oz</b></p>	<p><b>UNIT PRICE</b> <b>\$0.91</b> <b>PER POUND</b></p>	<p><b>RETAIL PRICE</b> <b>\$1.59</b></p>
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\* This type of presentation (or similar) is used also by some supermarkets in US states where the provision of unit prices is not compulsory and in states where unit pricing is compulsory but presentation is not specified in detail in legislation.

### Example 2: Presentation\* used by some stores when there are no mandatory presentation requirements.

The main features of this type of presentation are:

- Font size of the unit price is often small relative that of the selling price.
- Unit price is placed below (also sometimes above or to the left of) the selling price.
- The words “unit price” are not printed on the label.
- The unit price information is not placed on a coloured background.
- The unit of measurement\*\* used for the unit price may be small, in this case per oz rather than per lb.

<p><b>DICED TOMATOES 28oz</b></p>	<p><b>\$1.59</b> 5.7c PER OZ</p>
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\* Supermarkets often use many variations of this type of presentation.

\*\* However, the unit of measure specified in legislation for a product’s unit price must be used.