

Monday 7 July 2008



Mr John Hawkins
Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Mr Hawkins,

Inquiry into the Unit Pricing (Easy comparison of grocery prices) Bill 2008

PIAC supports the call for compulsory supermarket display of unit pricing information of pre-packaged grocery items. PAC considers it should be a requirement that all Australian supermarkets provide shoppers with the unit price—\$ per kg, litre, etc—of all pre-packaged grocery items.

The key elements of what is being sought are that:

1. The unit price be provided in addition to the selling price on shelf labels and all other price signs.
2. The unit price would not be printed on the actual item package, so only retailers are responsible for providing the information.

The current requirements

Currently, Australian supermarkets are only required to provide unit price information for random weight packages of certain foods, for example, fresh meat. This information is widely used by consumers to simplify and better inform their choices.

PIAC is simply seeking the extension of this principle to all other pre-packaged grocery items sold at supermarkets.

Benefits of unit pricing for consumers

Unit price information enables consumers to compare like with like, that is, to compare the amount per kilo or litre being charged for the same product by different retailers, or even by the same retailer for the same product from different manufacturers. For example, it would enable a consumer to compare the price per litre of milk across a range of milk packaging and producers in the same supermarket, irrespective of who the producer is or whether the milk is being sold in a 600mL, a 1 L, a 2 L or a larger container. Similarly, it enables consumers to make the same comparison across supermarkets through comparing the advertised unit price.

Unit price information simplifies consumer choice and assessment of value for money. Unit pricing can therefore save consumers large amounts of money and time. It also promotes more price-based competition between grocery manufacturers and between retailers, thus helping to combat inflation.

Level 9, 299 Elizabeth St
Sydney NSW 2000
DX 643 Sydney
Phone: 61 2 8898 6500
Fax: 61 2 8898 6555
www.piac.asn.au
ABN: 77 002 773 524

Recently, the Queensland Consumers' Association undertook research that showed that, in relation to 25 items in CHOICE magazine's grocery shopping basket, by choosing the lowest unit priced packages the overall price for the shopping basket was reduced from \$94 to \$49, a massive saving of \$44; that is a reduction of 47%.

If supermarkets provided unit price information many consumers would use it to save substantial amounts of money. These savings could make a significant difference to the welfare of many consumers, especially those struggling to make ends meet.

The overseas experience and unit pricing in Australia

The provision of unit prices for prepacked grocery items is compulsory in each of the 27 countries of the European Union and in several states in the USA. Overseas, it is used by 50-70% of consumers and provides major benefits to consumers and the economy at a very low cost.

Recently, Aldi became the first Australian supermarket chain to provide unit prices. However, the Aldi system does not fully meet consumer needs. It is far from certain that other supermarkets in Australia will follow suit. With only one supermarket chain using unit pricing there is only limited benefit for consumers as they are unable to easily compare the unit price of products between chains.

Furthermore, overseas experience shows that voluntary provision often results in numerous non-uniform unit pricing systems, many of which fail to meet minimum standards needed by consumers. These are some of the reasons why PIAC strongly favours a compulsory, uniform, national, high-quality unit pricing system for Australia.

Experience of consumer responses to media discussion about unit pricing in Queensland media indicates that consumers would welcome the introduction of compulsory unit pricing.

The attached sheet provides answers to a number of frequently asked questions about unit pricing. This was prepared for the Queensland Consumers' Association by Ian Jarrett, who has recently completed extensive research into unit pricing through a Churchill Fellowship.

PIAC asks you to seriously consider the consumer and competition benefits of compulsory unit pricing for pre-packaged grocery items, and to indicate to the Senate your support for federal legislation to require supermarkets to provide shoppers with nationally uniform, high-quality information about the unit price of the pre-packaged grocery items they sell.

For more information about this issue you can contact me either by phone or e-mail (my details are set out below) or Ian Jarrett who can be contacted on 07 3719 5475, or ijarratt@australiainmail.com,

Yours sincerely



Deirdre Moor
Manager Policy & Programs

Direct phone: +61 2 8898 6507
E-mail: dmoor@piac.asn.au
Encl:

UNIT PRICING OF PRE-PACKAGED GROCERY ITEMS Frequently Asked Questions

- What is the unit price?** The price per standard unit of measurement (for example \$ per kg/litre) of prepackaged grocery items.
- Where is it shown?** On shelf tags and other places where grocery prices are displayed. It is provided by the retailer in addition to the selling price.
- Why is it required** To help consumers assess value for money. Due to the huge range of package sizes and brands, it is very difficult for shoppers to calculate unit prices themselves.
- What are the benefits?** Consumers can more easily choose between packages of different sizes, and brands and also between other products. As a result, they can make large savings in money and time. In addition, manufacturers and supermarkets become more price competitive so unit pricing helps curb inflation.
- How much money can consumers save by using unit price information?** Savings will vary between consumers, products and stores. However, often there are very large differences in unit price between sizes and brands. Research shows that savings of almost 50 percent are easily achievable on a basket of items by buying only the lowest unit priced sizes or brands and almost 20 percent by buying only the lowest unit priced package size within a brand.
- Do consumers use unit prices?** Yes. Australians already use unit prices when buying some foods in random weight prepacks, for example fresh meat. (Shops must provide the unit price, in \$/ kg, of such products but not for other types of prepackaged goods.)
- Overseas, where the provision of unit prices for all prepacked grocery items is often compulsory, research shows that 50-70 percent of consumers use the information.
- Should the provision of unit price information be compulsory?** Yes. Overseas experience shows that voluntary provision results in non-provision by some supermarkets and non-uniform systems of measurement and display. This greatly reduces consumer access to, awareness of, and use of unit pricing.
- Is it important that unit price information be well presented?** Yes. Research shows clearly that consumer awareness and use of the information is greatly influenced by how well it is presented. The information should be in large fonts and the units of measurement should be easy for consumers to understand and use.
- Is it costly for supermarkets to provide?** No. Overseas experience shows that for modern computerised supermarkets the cost is very low relative to turnover and benefits.
- Could small shops be exempt from providing unit prices?** Yes. Where justified, such exemptions are provided overseas.
- Where can I get more information about unit pricing?** A report on unit pricing in the European Union and the USA by Ian Jarratt is available at www.churchilltrust.com.au under the business section. For additional information, contact unitpricing@australiainmail.com.