

# NARGA

**National Association of Retail Grocers of Australia Pty Ltd**

ABN 72 000 446 355

Tel: 61 2) 9580 5599  
61 2) 9580 9955  
Fax: 61 2) 9586 4777  
Email: [info@narga.com.au](mailto:info@narga.com.au)

Level 5, 34 MacMahon Street  
Hurstville NSW 2220

[www.narga.com.au](http://www.narga.com.au)

7 July 2008

Mr John Hawkins  
Committee Secretary  
Senate Economics Committee  
The Australian Parliament  
Canberra  
[economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Mr Hawkins,

## **Unit Pricing (Easy comparison of grocery prices) Bill 2008**

NARGA represents the independent retail grocery sector.

We use this submission put an industry perspective on the proposed requirement for grocery prices to be shown in both per item terms and by way of unit prices, meaning the price per set unit of measure, weight or volume and to highlight problems we see in relation to the above Bill.

Firstly, the information available to us suggests that there is little public demand for unit pricing of groceries. Although there have been a number of surveys conducted by NGOs and others suggesting that such a demand exists for unit pricing, our members have, in general, not encountered customers who have suggested that unit pricing is something they want or need.

It is suggested that, if asked in a survey, the response would more likely be 'yes' on the basis that having unit pricing available does not 'hurt' as it appears to be a costless addition to the information currently available about the goods they purchased. If the questionnaire had asked respondents whether they would support 'unit pricing' in the context of increased costs to the sector, which would in turn lead to higher prices, the response may have been different.

It is evident that a unit pricing requirement involves additional cost, relating to the calculation of the unit price, preparation of shelf pricing labels and their application. On a proportionate basis, these costs are greater for small businesses that do not have the automated systems for producing these materials.

Given the limited space available on shelf pricing labels, it is likely that in many cases the size of lettering used to display the price (as opposed to the unit price) will decrease, making the most important information – the product price – less readable.

Members of the Committee would be aware that some stores or chains already display unit prices and others have indicated a willingness to do so on a voluntary basis. We suggest that the chain that currently displays unit prices does so because it provides a commercial benefit.

This is because the chain in question provides a wide range of 'own label' products, and a unit price is one way of showing that these products are cheaper.

Again, the expansion of unit pricing will benefit those stores that have access to a wide range of generic products – the major supermarket chains and Aldi – and disadvantage smaller retailers.

As a high proportion of these generic products are imported, local farmers and manufacturers will be disadvantaged by a move to compulsory unit pricing.

We note that it has been claimed that unit pricing will 'save' consumers a high percentage of grocery costs – savings in excess of 40% have been quoted. We have two comments. Firstly the comparisons appear to have been made on the basis of comparing a branded product with a generic – this is like comparing apples with oranges – they are just not the same. Secondly, the price comparison can be made directly by comparing the prices of the products in question – i.e. the purchase decision is not dependent on the availability of unit pricing information. The consumer has access to a number of price related signals and generally has little trouble finding and buying the cheapest, if that is what they want to do.

In fact, purchase decisions are based on a variety of factors, of which price is just one and not the most significant. The reason many people do not buy the cheapest available product – based on the shelf price – is that they may prefer to buy a brand they recognise or a product that has the quality or other attribute they prefer.

The current Bill seeks to amend the National Measurement Act 1960 and use it to require grocery retailers to supply unit pricing information. We suggest that pricing is outside the scope of that Act. Also the Act appears to apply to the measurement of products and as such is unsuited to a requirement that relates to the provision of information not attached to the product.

Further, whilst the proposed legislation is intended to require the provision of unit pricing information, it also requires the retailer, for the first time, to provide pricing information - i.e. a label indicating the selling price of a product (18ZZJ). This is the first time such a requirement has been introduced into Australian law. The requirement is especially difficult for very small retailers who currently do not price label all of their goods, and have to date not been required to do so. It is noted that the Bill does not provide exemptions for small retailers and traders.

In summary, we believe that there is no general public demand for unit pricing, that unit pricing provides little in the way of additional useful information and that its introduction as a compulsory requirement has a range of unintended negative consequences.

Given that a number of companies are either already providing unit pricing information or have expressed an intention to do so, we suggest that unit pricing remain voluntary and to allow market forces to determine the degree of uptake.

Finally, where fresh food is sold by the kilogram, for example, no direct comparison can be made on price because of quality differences.

Yours sincerely  
Ken Henrick  
**Chief Executive Officer**