



ALDI Stores

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CORPORATE

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The Secretary
Senate Standing Committee on Economics
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Dear Secretary

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

I refer to a request for submissions, received by ALDI dated 27 June 2008, to a review by the Senate Standing Committee on Economics of the Unit Pricing (Easy comparison of grocery prices) Bill 2008.

In November 2007, ALDI became the first grocery retailer to introduce unit pricing in Australia. ALDI introduced unit pricing as part of its strong commitment to bringing greater transparency to grocery pricing.

Consumers are often confused attempting to compare prices between retailers or different sized products. Unit pricing is an effective way of overcoming these difficulties and immediately introduces clarity for consumers, helping them make a more informed buying decision. It creates a baseline that makes it easy for shoppers to compare products and as such can deliver substantial savings.

Management consultancy Insight Partners has said that "consumers spend less on packaged goods if unit pricing information is available" describing unit pricing as a "huge net benefit to consumers ... (with) a net one off decrease of inflation ... of about 0.14 per cent"¹. Consumer group CHOICE has described unit pricing as able to "save consumers both time and money ... it can improve price comparability and hence competition across brands and sizes ... and grocery outlets"².

The Consumer Action Law Centre has said "unit pricing can improve competition in the grocery market by improving the ability of consumers to make decisions about price ... they can use it to better assess value for money"³. The CALC went on to say that unit pricing has been shown to deliver substantial benefits to customers in terms of greater

¹ ABC Online 29 January 2008, "Unit Pricing could ease Australia's inflationary woes: expert"

² Choice Media Release June 2007, "Qld Unit Pricing Push Needs to be National"

³ Consumer Action Law Centre, Media Release 'Grocery unit pricing can help consumers deal with inflation', 14 February 2008

price transparency and improved decision making, reducing the overall weekly grocery bill by up to 37 per cent⁴.

Given our firsthand experience with Unit Pricing, we have a number of concerns with the Bill as it is currently drafted and so we would welcome the opportunity to brief the Committee in person, to relate our experience and discuss our concerns in detail. However we have outlined some of our concerns below:

1. The draft bill defines the unit price of a grocery item as "the final price, including GST and all other taxes, for one kilogram, one litre, one metre, one square metre or one cubic metre of a grocery product except in respect of grocery products sold by number, where unit price means the final price including GST and all other taxes for an individual item of the grocery product."

In many instances a unit of measure smaller than what is proposed in the Bill is likely to be more practicable and easy to understand for consumers. Many grocery items are less than the unit descriptions proposed and we would submit that the unit price would be more effectively displayed in many instances as a price per 100 grams or per 100 millilitres. For example, some herbs and spices are sold in packets as small as 5 grams. To quote a unit price on a per kilo basis would result in a meaningless price of possibly over a thousand dollars being displayed. A unit price based on 10 grams is the most relevant unit price in this instance.

The ALDI system of unit pricing is based on the intuitive UK approach, which has been widely supported by consumers in that country. It is set out in the table below:

ALDI Unit Pricing Guidelines		
Product Format	Weight / Count entry	Unit Price Entry
Weight	12g	per 10g (exception)
	125g	per 100g
	1.5kg	per kg
Volume	10ml	per 10ml (exception)
	200ml	per 100ml
	1.5L	per litre
Length	10cm	per cm (exception)
	20m	per m
Multipak with declared weight or volume per individual pack	2 x 700g (1.4kg)	per 100g
	6pk/300g	per 100g
	2x2.5kg (5kg)	per kg
	6x100ml (600ml)	per 100ml
Multipak with <u>no</u> declared weight or volume per individual pack	4x2L (8L)	per litre
	2pk	per unit
	4pk	per unit
Individual unit with no declared weight	200pk	per 100 units
	each	not needed
<ul style="list-style-type: none"> • All Fresh Meat products display the unit price as per kg. • All Cheese products display the unit price as per kg. • All Soft Drinks and Alcohol products display the unit price as per litre. 		

⁴ Consumer Action Law Centre, Media Release 'Grocery unit pricing can help consumers deal with inflation', 14 February 2008.

The ALDI approach allows for unit prices to be graduated, recognising different product sizes and values while still allowing ready comparison.

2. Section 18ZZL(2) of the Bill prescribes display requirements for the unit price of being the greater of "10 millimetres or 50 per cent of the size of the font of the indication of the selling price". ALDI price displays are already the largest in the industry and to require a unit price display of 50 per cent of the selling price would be entirely impractical and result in a cluttered and confusing price display.

A far more workable option would be to prescribe a minimum size unit price (for example 10 millimetres) which would then afford the retailer the flexibility to manage price displays in line with existing practices. The requirements as drafted would require ALDI to implement a full re-design of its price displays incurring considerable and in our view, unnecessary cost.

3. Section 18ZZL requires that for pre-packaged solid food products presented in a liquid medium the unit price refer to the "net drained weight". Currently no packaged grocery products in Australia display weight in this manner, meaning the section actually introduces entirely new criteria for product weight. Such a move would impose additional costs on grocery retailers and would confuse customers who have become used to product weight being expressed as the total weight.

We urge the Committee to adopt the ALDI method and approach already in operation here in Australia and which is well understood by consumers. We have invested in the necessary systems to support this model and would like to see a consistent national approach to avoid further costs and possible confusion for ALDI customers already familiar with unit pricing. Adopting the ALDI approach would also result in Australia using a model that has been tried and tested in other countries.

ALDI has steadfastly maintained the position that all grocery retailers should take the positive step to introduce unit pricing given the benefits it delivers to customers. The introduction of unit pricing has not resulted in any additional costs to ALDI consumers who have readily embraced the concept. The customer and community feedback received to date has been excellent.

Finally, it is important that whatever model for unit pricing is adopted it is consistent across all grocery retailers and across all states. We welcome the decision of the Senate to consider the introduction of unit pricing and urge the Senate Standing Committee on Economics to draw on ALDI's practical first hand experience. We would be happy to provide a detailed briefing at any time.

Please do not hesitate to contact me at any time for further information.

Yours sincerely



Matthew Barnes
Managing Director Buying