



21 September 2011

**SUBMISSION ON THE PRODUCTIVITY COMMISSION'S DRAFT
REPORT ON THE ECONOMIC STRUCTURE AND
PERFORMANCE OF THE AUSTRALIAN RETAIL INDUSTRY**

BACKGROUND

The Queensland Consumers' Association (the Association) is a non-profit organisation which exists to advance the interests of Queensland consumers. The Association's members work in a voluntary capacity and specialise in particular policy areas, including retailing.

In this regard, the Association led the recent successful national campaign by consumers that resulted in large bricks and mortar and on-line grocery retailers now being required to provide the unit price (price per unit of measure) of constant measure pre-packaged grocery products¹.

Unit prices help consumers to make more informed decisions between: package sizes, brands, types of packaging, packaged and unpackaged products, substitute products, etc. As a result, consumers can save significant amounts of money and time, and competition between retailers and between manufacturers is increased.

Accordingly, the Association has a major interest in unit pricing in general, and for groceries in particular, and considers it is very relevant to this enquiry because:

1. The enquiry's terms of reference includes "The current structure, performance and efficiency of the retail sector and impediments to its contribution to the Australian economy".
2. The Issues Paper referred to:
 - One of the traditional functions of the retail industry being to more easily allow consumers to compare the prices of products by displaying them in the same retail space. (p 11)
 - The ACCC's 2008 Grocery Report and the subsequent decision of the Australian Government to amend "the Act to provide for a mandatory Unit Pricing Code to apply to store-based grocery retailers of particular size and scope and to all online

¹ For example, to show on shelf edge labels etc. that the unit price of a 500g carton of corn flakes costing \$1.89 is 38 cents per 100g, and of a 1.25 litre bottle of soft drink costing \$0.73 is \$0.58 per litre.

grocery retailers, and for other grocery retailers who choose to opt-in as ‘participating grocery retailers’. (p 32)

3. The Draft Report mentions:

- the role of the retail industry to assist consumers to compare prices (p. xvii)
- that “retailers also allow consumers to compare the prices of products more easily by displaying them in the same retail space”. (p. 9)
- that many consumers are “time poor”. (p. xxviii)
- the Retail Grocery Industry (Unit Pricing) Code under the *Competition and Consumer Act 2010* which became enforceable from 1 December 2009 (p. 37 footnote 2)

The submission consists only of the Association’s views about the failure of:

- Many grocery retailers covered by the Unit Pricing Code of Conduct: to satisfactorily implement the compulsory grocery unit pricing Code, or to provide more than what is required by the Code, or to provide educational information to assist consumer awareness and use of unit prices.
- Other retailers (for example chemists, hardware shops, and fruit and vegetable shops) to voluntarily provide unit prices to assist consumers to compare prices within their premises and between retailers

The Association considers that these failures indicate that the performance of much of the Australian retail industry in this area has been unsatisfactory.

These matters are addressed in more detail in the rest of the submission.

The contact person for the submission is: Ian Jarratt, email ijarratt@australiainmail.com

1. FAILURE OF MANY GROCERY RETAILERS COVERED BY THE UNIT PRICING CODE OF CONDUCT: TO SATISFACTORILY IMPLEMENT THE COMPULSORY GROCERY UNIT PRICING CODE, OR TO PROVIDE MORE THAN WHAT IS REQUIRED BY THE CODE, OR TO PROVIDE EDUCATIONAL INFORMATION TO ASSIST CONSUMER AWARENESS AND USE OF UNIT PRICES

Despite requests from consumer organisations since 1960 and the prevalence of unit pricing of pre-packaged grocery products in shops in the USA and the European Union, until Aldi voluntarily introduced unit pricing in all its stores in late 2007 Australian

grocery retailers had failed² to provide unit prices for products in constant measurement packages³.

And, even after Aldi started to provide such unit prices other retailers failed to support the concept, or follow suit, until the 2008 ACCC report on grocery prices recommended the introduction of a national compulsory unit pricing system for groceries.

After the compulsory grocery unit pricing system started on 1 Dec 2009, many retailers failed⁴, and continue to fail, to comply fully with the Code in numerous ways including:

- Providing unit prices which are not easy for consumers to notice or read.
- Using the wrong units of measure.
- Not providing unit prices.

Also, most grocery retailers providing unit prices have not provided consumers with additional useful unit prices. For example, the Code exempts retailers from providing a unit price if the selling price relates to more than one “grocery item”. As result many retailers do not provide a unit price for offers like “\$4.99 for either 1kg of laundry powder or 630ml of laundry gel” or “2 packs of nappies for \$32 – 32-44 nappy packs”. This is a particular problem with many printed adverts and some in store signs.

And, most grocery retailers provide no information to facilitate consumer awareness and use of unit prices even though the concept as applied to constant measure pre-packs is new and many unit prices are not sufficiently prominent or legible.

2. FAILURE OF OTHER RETAILERS (FOR EXAMPLE CHEMISTS, HARDWARE SHOPS, AND FRUIT AND VEGETABLE SHOPS) TO VOLUNTARILY PROVIDE UNIT PRICES TO ASSIST CONSUMERS TO COMPARE PRICES WITHIN THEIR PREMISES AND BETWEEN RETAILERS

Consumer awareness and use of grocery unit prices is almost certainly sub optimal due the factors mentioned above. Nevertheless, anecdotal evidence suggests that the unit pricing information which large bricks and mortar and on line grocery retailers are required to provide is popular with and used by a significant number of consumers. The greatest users are probably very value conscious shoppers.

Yet, the Association is not aware of significant voluntary provision of unit prices either by exempt grocery retailers or by retailers of other relevant products. For example, there would be major benefits for consumers and the economy if chemists provided unit prices for most of their non prescription products, for example vitamins, and shampoos.

² Exceptions were the Pick'nPay supermarkets and Safeway in Victoria but both systems were not satisfactory for consumers and when both firms were taken over the new owners stopped providing unit prices.

³ Trade measurement laws required the provision of the unit price (\$ per kg) only for products sold loose from bulk and in random measure pre-packs, for example meat, fish, cheese, and fruit and vegetables

⁴ See for example the ACCC's report on a compliance monitoring survey dated Dec 2010.

Consumers would also benefit if:

- Hardware stores voluntarily provided unit prices for many packaged hardware products, for example, paints, glues, fillers, nails, and screws.
- Specialist fruit and vegetable shops provided unit prices for constant measure packages⁵ of fruit and vegetables (for example 750g trays of zucchinis and 250g punnets of strawberries) and for the other grocery products they often sell, such as nuts, herbs, spices, eggs, and bread.

Also, the Association is aware of a chain selling mainly office equipment which is voluntarily providing unit prices for some paper and pens in bricks and mortar stores. However, the usefulness of the unit prices to consumers is greatly reduced because:

- unit prices are not provided for ALL papers and ALL pens
- the unit price on the price labels used for pens is printed so small that it is very difficult for a normal sighted person to read even at eye level and is impossible to read at ankle level.

3. CONCLUSION

Sections 1 and 2 show clearly that many grocery retailers have failed, and continue to fail, to meet the needs of consumers for the provision of unit price information to facilitate comparison of the prices of products and therefore are not performing satisfactorily.

⁵ Trade measurement laws require the provision of the unit price (\$ per kg) of products sold loose from bulk and in random measure pre-packs.