

Hello

Competition and Consumer Policy,

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New Zealand

## **UNIT PRICING**

Limits of price comparability by unit pricing

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### **Issue 1:**

Comparing products by unit price is useful. However, comparing products by price alone can be misleading and not result in money for value purchases by consumers.

In addition to unit pricing consumers also need labelling on grades (where possible), variety, and country of origin to make a truly informed money for value purchase.

Though many goods/products (especially commodities) appear similar they can be differentiated by their quality grade, and or variety. Note that consumer products usually don't have quality grades on their labels or packaging.

In New Zealand manufacturers of higher-grade goods usually rely on consumers to see and experience the difference and make repeat purchases (nutritional value, taste, and feel differences can be significant).

However, manufacturers of lower quality goods (particularly Woolworths and Foodstuffs exploit (or "game") this pricing issue by relying on consumer ignorance to not distinguish money for value.

Ideally a products grade (as labelled) would also be used and understood by consumers to make an informed choice.

### **Issue 2:**

Unit pricing will mostly affect pricing for commodities.

Supermarkets have developed their own private label brands for sale in their shops. These brands always focus on commodity products (nuts, grains, fruits, flours, oils, and some highly processed foods like pasta). These goods form the basis of consumer grocery purchasing.

The above mentioned gaming of consumer commodities is done by pricing low grade commodities at premium or mid-range prices. The result is significant gross margins of 800+%. Consumers are exploited.

This consumer ignorance and exploitation also leads to "dumbed down" consumers and an immature consumer base who are not aware of what they are buying. This issue is very evident when observing New Zealand consumers.

Unit pricing is important but should be introduced with more data needs to be given to consumers.

MBIE Key questions to consider:

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**1** Do you use unit prices to compare products when grocery shopping?

**A.** Yes

**2** What do you consider are the benefits of unit pricing?

**A.** Quick comparability of pricing for some products

**3** Should grocery retailers be required to educate consumers about unit pricing by providing in-store and online pamphlets, posters and/or other guidance?

**A.** If unit pricing is sufficiently clear and visible, it's meaning is self-evident, and education is not necessary.

If it is not, then education is required.

**4** Which grocery retailers should a mandatory unit pricing standard apply to?

**A.** All retailers

**5** Should grocery retailers be required to display unit pricing in store and in all forms of advertising (i.e. including audio and video), or only in print advertising?

**A.** Yes, otherwise it would be misleading not to.

Also, ecommerce is becoming more common and is predicted to over-take physical store commerce.

**6** Should grocery retailers provide unit pricing for alcohol and/ or tobacco products?

**A.** Yes, why would they be excluded?

**7** Should there be prescriptive requirements around font size, font, contrast, and location of unit pricing?

**A.** Yes, otherwise the unit pricing design and layout will be 'gamed' by retailers.

Thanks

Anon