5. SELF-REGULATION IN SUPERMARKET COMPUTERISED CHECKOUT SYSTEMS

5.1 INTRODUCTION

This case study examines the market for scanned supermarket produce and the self-regulatory code that the Australian Supermarket Institute implemented to successfully allay concerns that that the introduction of bar code scanning technology in supermarkets would result in widespread overcharging of consumers at checkouts. It provides a useful benchmark against which to compare other codes of self-regulation, such as the advertising and direct marketing codes, which seek to reduce a wider range of potential market failures.

5.2 DESCRIPTION OF THE MARKET

5.2.1 Demand for scanned produce

The Australian Supermarket Institute (ASI) estimate that Australia's supermarkets serve approximately 20 million customers per week and that over 95 per cent of Australia's annual food and grocery sales ($45 billion) are scanned at the checkout using bar code scanning technology.

From the consumer's point of view, bar code scanning has a number of major advantages. In particular, it reduces:

- supermarket costs, and hence the prices of supermarket products;
- checkout waiting times, since bar code scanning significantly reduces the amount of time it takes for a checkout operator to enter in the price of the product;
- the risk that the checkout operator will enter the incorrect price; and
- the risk of the supermarket running out of stocks of certain products, since scanning technology enables supermarkets to manage their inventories more efficiently.

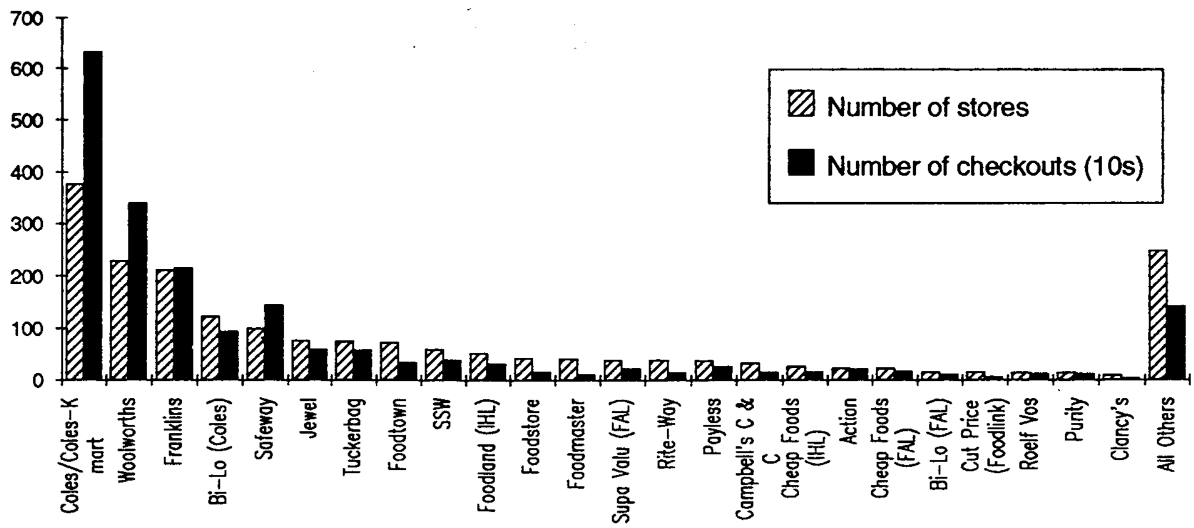
However, at the time of the introduction of bar code scanning into supermarkets, concerns were expressed that such technology could result in consumers being overcharged. These concerns about the potential scope for market failure are discussed further in section 5.2.3.

5.2.2 Supply of scanned produce

At the time of the Trade Practices Commission review of the supermarket scanning code in 1992, there were around 3,000 stores in Australia using bar code scanning technology, of which around 2,000 were supermarkets. In combination, these stores operated around 30,000 checkouts, of which 20,000 were located in supermarkets.

As indicated in Figure 1, at that time Coles operated the greatest number of supermarket scanning stores (13.1 per cent) and checkouts (22 per cent), followed by Woolworths (7.9 per cent of stores and 11.8 per cent of checkouts), and Franklins (7.3 per cent of stores and 7.5 per cent of checkouts).

Figure 1: **Scanning supermarkets in Australia by number of stores and number of checkouts**



Source: TPC (1992b).

Bar code scanning technology has a number of major benefits for firms, particularly supermarkets who turnover large volumes of products with prices that may need to be changed over time. In particular, such technology reduces the costs associated with:

- labelling individual products with prices;
- keying in those prices at the checkout and the risk of error when entering those prices;
- maintaining efficient inventory control system to reduce the costs arising from holding stocks, and the costs arising from lost sales where supplies of a product run out.

As a result, in the grocery sector, virtually all major supermarkets now use bar code scanning technology at every checkout.

5.2.3 Nature of market failure(s)

As noted in section 5.2.1, at the time bar code scanning technology was being introduced into supermarkets, concerns were expressed that the use of such technology could result in consumers being overcharged at checkouts.

In order to understand those concerns, it is necessary to understand the manner in which checkout prices are determined in a supermarket using bar code scanning technology.

In a supermarket that uses such a bar code scanning system, prices are not marked on the product. Rather, they are marked on the shelf on which the product is displayed and are recorded in the store's computer database. The only marking that appears on the product is a unique product identifier (a 'bar code'). When that bar code is scanned at the checkout, the store computer then looks up its database to determine the price to be charged for a product with that particular bar code. As a result, it is possible for the prices displayed on a supermarket shelf to differ from the prices actually charged at the supermarket checkout.

Although the supermarket operator has accurate information on the prices that will be charged for all products recorded in the store's computer which is accessed by each checkout terminal when a purchase is made, consumers do not know those recorded prices. Rather, initially consumers have to rely on the prices that are displayed on the supermarket shelves as a guide. That is, initially there is an 'information asymmetry' between the supermarket and its customers as to the prices that will be charged at the checkout.

The extent of that information asymmetry is limited, of course, by the ability of customers to check the accuracy of displayed prices against the actual prices displayed on the cash register at the supermarket checkout and recorded on the itemised receipt. Indeed, the introduction of bar code scanning technology enabled supermarkets to provide consumers with a far more detailed receipt which itemises each purchase and carries a meaningful description of each item, its price, the store name and address and the date and time of day when the goods were purchased. By contrast, prior to the use of bar code scanning, receipts only listed the purchase price of each item.

Nevertheless, at the time bar code scanning was being introduced into supermarkets, there were fears that the introduction of bar code scanning technology would enable supermarkets to display lower prices for their products and charge higher prices at the checkout.

The supermarket industry recognised that such concerns, if left unaddressed, could inhibit the introduction of a technology that offered considerable cost savings for both supermarkets and their customers. That is, there was a risk that the information asymmetry that existed between supermarkets and consumers as to the potential benefits of bar code scanning technology could reduce social welfare by impeding the introduction of a new technology that had the capacity to increase economic efficiency.

5.3 PRESENT SYSTEM OF SELF-REGULATION

5.3.1 Background

In order to allay fears about the introduction of bar code scanning technology, and demonstrate their confidence in the benefits and accuracy of bar code scanning technology, retail supermarket chains and wholesaler companies developed the Code of Practice for Computerised Checkout Systems in Supermarkets (the Code) in consultation with the then Trade Practices Commission, which endorsed the Code prior to its implementation in 1989.

It is important to note that even prior to the introduction of the Code, a major survey of bar code scanning accuracy conducted by the Victorian Government proved fears about the introduction of bar code scanning technology to be unfounded since they found no evidence of widespread over-charging. As discussed further in section 5.3.7, these results have been confirmed in subsequent surveys conducted by both the Trade Practice Commission and the Australian Supermarket Institute. Indeed, the Commission concluded that supermarket performance was generally within acceptable limits, overcharges were not common (about 1 per cent of items purchased), and undercharges usually more than outweighed overcharges in monetary terms. This contrasts with the position in the United States, where surveys have indicated error rates of about 3.4 per cent, with one in two being in favour of the retailer. Rather than result in widespread overcharging, the introduction of bar code scanning technology has improved checkout accuracy.

5.3.2 Objectives of the Code

As outlined above, the Code was introduced to allay concerns expressed by some consumer organisations and the Victorian Government that the introduction of bar code scanning at supermarket checkouts would lead to overcharging. It seeks to encourage retailers to develop procedures for ensuring price accuracy and to provide consumers with access to quick and inexpensive redress on those occasions where overcharging occurred.

The stated objectives of the Code are to:

- minimise discrepancies between the shelf life and the price charged;
- ensure shelf labels and receipts are informative and readable;

- provide a remedy for customers when overcharges or other problems arise; and
- inform customers and store staff about these safeguards and remedies.

5.3.3 Development of the Code

The Code was developed by the Australian Supermarket Institute in consultation with the Trade Practices Commission, State and Territory consumer affairs agencies, and consumer groups.

5.3.4 Code Coverage

Scope of the Code

As outlined in section 2 of the Code, the Code applies to all scanned merchandise within the store, including items registered using a Price Look Up (PLU) number instead of a bar code. However, the Code does not apply to:

- liquor sold through a separate checkout; and
- items that are individually priced and are not scanned.

Stores are required to exercise common sense when determining the period of time in which they are willing to consider complaints. A period of up to one month after the error has occurred is considered reasonable.

Membership of the ASI

The ASI is a national division of the Australian Retailers Association. It represents the interests of the following food and grocery retailing and wholesaling member companies:

- Davids Limited (including Jewel Food Stores Pty Ltd)
- Foodland Associated Limited
- Franklins Limited
- Woolworths Limited.

While Coles Myer Limited, at time of writing, is not a member of ASI, its stores (Coles Supermarkets and Bi-Lo) continue to comply with the Code of Practice.

These members now own and/or operate or supply more than 5000 supermarkets throughout Australia with an annual turnover in excess of $30 billion.

In 1992, the Trade Practices Commission estimated that at least 83 per cent of supermarket scanning checkouts in Australia are in stores that subscribe to the Code.

The ASI has indicated that almost all of the products sold through its member companies are now scanned.

5.3.5 Overview of the Code

Section 3 of the Code outlines the 'item-free' and 'multiple purchase' policies. If the scanned price of an item is higher than the shelf price or other displayed price, then the customer is entitled to that item free of charge. In addition, if multiple item bearing an identical scan code are purchased at a price higher than the shelf price or other displayed price, the customer is entitled to the first item free and the other item at the lower displayed price. As discussed further in section 5.3.6, these provisions enable consumers to apply immediate sanctions against members they detect breaching the Code.

The process that customers must follow to lodge a complaint about a store's actions under the Code is set out in section 4 of the Code, and section 5 of the Code outlines the responsibilities of retailers. These include a commitment to apply the Code in both its spirit and letter, and to ensure that staff and consumers are familiar with the provisions of the Code.

Sections 6 to 12 of the Code set out the technical requirements that members must meet in relation to their checkout systems, shelf labels, price integrity, checkout operation, customer receipts, audit trails, and procedures for handling customer complaints.

Sections 13 to 17 of the Code outline the industry associations' responsibilities in relation to administration of the code, appeal procedures, remedial action, reporting procedures, and review and evaluation of the Code. These aspects of the Code are discussed further below.

5.3.6 Operation of the Code

Complaint handling and dispute resolution procedures

If customers dispute a store's actions under the Code, they must first attempt to resolve that dispute by speaking to the store manager or supervisor (section 4.1 of the Code). Retailers are required to ensure these matters are handled courteously and expeditiously and that genuine grievances are satisfied (section 12.1 of the Code).

If the dispute cannot be resolved at the store level, section 12.2 of the Code requires the store manager or supervisor is required to inform the customer of the dispute resolution procedures available under the Code. The customer can lodge a formal complaint under the Code either by:

- completing a Customer Complaint form. These forms and reply paid envelopes are available from sore managers or supervisors on request. These forms can be provided by store manager or supervisor (section 4.2 of the Code); or
- notifying their grievance by telephoning the ASI or their local retailers association (section 4.3 of the Code).

Complaints are heard by a State or Territorial Administration Committee chaired by the Executive Director of the retainers association, a representative of an interested State or Territorial government department or agency, and a consumer representative (section 12. 5 of the Code). When a consumer representative vacancy occurs, the ASI is required to invite the appropriate consumer representative organisations to nominate suitable candidates. The ASI is then required to select one of those candidates to fill the vacancy (section 12.13 of the Code). In the event that the consumer organisations fail to nominate three suitable candidates within a reasonable time, the ASI is free to make its own decision about community representation (section 12.15 of the Code).

When considering the complaint, the Committee can determine its own procedures. However, it is required to conduct its proceedings in accordance with the rules of natural justice and give each party full details of the issue in dispute, copies of any documents involved, and a reasonable chance to place arguments before it (section 12.9 of the Code).

When a grievance is referred to a retailers association or the ASI, the organisation must raise the issue with the head office management/wholesaler of the store that is the subject of the grievance.

If the ASI or the retailers association is not able to resolve the dispute, it can be referred immediately to the relevant State or Territory Administration Committee if the consumer wants the complaint hearing to proceed (section 12.6 of the Code).

The Administration Committee is required to reach a decision on a complaint within 28 days of its receipt. If a decision cannot be reached within that period, the chairman of the Complaints Committee must advise the Executive Director of the Institute of the reasons why a decision has not been made. That advice must be provided in writing within 7 days of the original deadline (sections 4.4, 12.7, 12.8 and 12.9 of the Code).

Once an investigation is complete, the Chairman of the Administration Committee must notify the Executive Director of the retail association of the Committee's decision (section 12.10 of the Code). The Executive Director of the State or Territory retailers association is then required to notify the customer, and the management of the retail company that is the subject of the complaint, of the outcome of the complaint and of the avenues of appeal (section 12.11 of the Code).

If a consumer or retailer is dissatisfied with the decision or recommendations of an Administration Committee, they may submit an appeal within 28 days asking to the Executive Director asking for the matter to be decided by an independent arbitrator. When such an appeal is lodged, the Executive Director is required to appoint an arbitrator who is acceptable to the parties (sections 14.1 and 14.2 of the Code).

The role of the independent arbitrator is to re-hear the matter, rather than to review the original hearing (section 14.3 of the Code). The arbitrator has the discretion to determine the hearing procedures, but is required to conduct those proceedings in accordance with the rules of natural justice, and is required to give each party full details of the issue in dispute, any documents involved, and a reasonable chance to make submissions. The appeal must be dealt with as expeditiously as possible within 28 days of the arbitrator's appointment (section 14.4 of the Code). The arbitrator must inform the Executive Director of the appropriate retailers association in writing within seven days of the decision, and that decision must then be notified to the Executive Director of the ASI (section 14.5 of the Code).

The Executive Director of the ASI is then required to notify the parties of the arbitrator's findings and decision, and inform them that they may seek redress under any legal rights they might have, but that the ASI will follow the decision of the arbitrator (section 14.6 of the Code).

If a complaint is upheld against a retailer, the chairman of the Administrative Committee must notify the retailer in writing of the decision and recommended remedial action.

The numbers of complaints and inquiries received about the Code have continued to trend downwards in recent years.

Over the last year, 299 calls were registered and the ASI secretariat received 52 written inquiries. However, the majority of these calls and inquiries were unrelated to the Code. Rather, they comprised suggestions for store improvements or general correspondence relating to supermarket industry operations or to non-supermarket retailers. All of the actual complaints received were resolved to the customer's satisfaction.

Penalties for non-compliance with the code

If the retailer fails to comply with the recommended remedial action by the end of the period allowed for appeals, the Executive Director of the appropriate State or Territory retailers association is required issue a warning that the retailer is:

- in breach of the Code; and
- must take the remedial action set out in the warning within 28 days of the date of the notification (section 15.1 of the Code).

If after receiving that warning, the retailer still fails to take remedial action within the specified period, notification of the warning must be published in the next available edition of the Association's newsletter to retailers (section 15.2 of the Code).

In the event that the retailer refuses to take remedial action, the Committee is required to recommend to the ASI Board to take appropriate action. If the matter involves a breach of Commonwealth, State or Territory law, that action involves directing the appropriate retailers association to have proceedings instituted by the appropriate authority. In other cases, members of the Institute undertaking appropriate advertising.

If the Board considers the retailer has failed to show just cause why the recommended action should not be taken, the Board is required to implement the recommendation, and the costs of such action will be recovered from members (section 15.5 of the Code).

Each retailers' association is required to maintain a record of all formal complaints under the Code and the manner in which those complaints were resolved, and forward that information to the ASI at the end of each year. The chairman of the ASI Board is also required to report annually on the operation of the Code and provide summaries of the complaints received and actions taken to resolve those complaints by the ASI, retailers associations, complaints committees and arbitrators (sections 16.1 to 16.3 of the Code).

5.3.7 Administration of the Code

Organisation responsible for administration of the Code

The Code is administered nationally by a National Administrative Committee, chaired by the Executive director of the ASI and including the Executive Directors of the State retailers associations and the chairmen of the ACT and Northern Territory administration committees. A representative of the ACCC can also attend as an observer (section 13.1 of the Code). The National Administration Committee also has to include a member who is representative of consumers, and when a vacancy for that position arises, the ASI must invite an appropriate consumer representative organization (or organizations) to nominate three people on the same basis as required for filling this position at the State and Territory Administration Committees (sections 13.2 and 13.3 of the Code).

Procedures for monitoring, reviewing and amending the Code

The National Administration Committee is required to keep the Code under continuous review, and the Code provides for a review by the ACCC every three years (section 17.1 of the Code).

The National Administration Committee is able to initiate inquiries into possible amendments to the Code at any time. In such cases, the Committee is required to invite interested parties to make submissions on the issue under review. The recommendations of the National Administration Committee are then presented to the ASI Board. The Board is then required to hold a vote on each of the recommendations. Those recommendations that are approved by a simple majority of the Board's members are then incorporated into the Code. The Executive Director is then required to notify appropriate individuals and organisations of the changes to the Code (sections 17.2 to 17.5 of the Code).

The first review of the Code's performance was commenced by the Trade Practices Commission in November 1991 and was concluded in June 1992 and involved consultation with industry, consumer groups and government.

The TPC decided to review the Code for three main reasons:

- When it gave permission for its name and logo to be used on code materials, it reserved the right to withdraw its endorsement if the code's implementation proved to be inadequate and inappropriate in practice.
- The consumer movement had expressed concerns about some aspects of the code's operations.
- SCOCAM (the Standing Committee of Consumer Affairs Ministers) had asked that the review look at the need for, and feasibility of, extending the code to non-supermarket scanning stores.

The Commission concluded that supermarket performance was generally within acceptable limits, overcharges were not common (about 1 per cent of items purchased), and undercharges usually more than outweighed overcharges in monetary terms.

The Commission recommended a number of changes to enhance the Code including:

- making the complaints systems more accessible to consumers;
- reducing the size of in-store signs, but making them more eye-catching and informative;
- enhancing consumer representation on the Code committees;
- proving the public with annual reports on the Code's operation; and
- setting out the scope of the item-free policy in the Code, leaflets and signs.

The Commission also investigated the scope for extending the Code to cover stores other than supermarkets. It concluded that it was impractical for all non-supermarkets to have similar code partly because of the wide variety of store types involved, and partly because the item-free policy is inappropriate for store selling expensive lines. As a result, the TPC decided instead to write to the trade associations of the main industry sectors which use scanning checkouts, suggesting that their members use the supermarket code as a guide when developing their own procedures.

The most recent annual review of the Code revealed a continuation of the decline in customer inquiries about the Code. A small number of apparent breaches were referred by the ASI to relevant member companies and were resolved to the customer's satisfaction.

ACNeilson surveys of the accuracy of bar code scanning, commissioned by the ASI, also confirm that there is no widespread overcharging of consumers. As part of its regular monitoring of customer attitudes, the ASI has sought to determine customer awareness of the operation of the Code. In the most recent survey conducted for the ASI by Colmar Brunton Research, 70 per cent of customers indicated awareness of the Code. This compared with 73 per cent 12 months earlier. A further 28 per cent claimed not to know about the Code.

Funding

The ASI estimates that the annual cost of administering the Code is less than $40,000, and comprises mainly materials printing and distribution costs as well as staff time spent handling issues.

5.3.8 Other Regulations Affecting the Industry

Since the 1970s, it has been illegal under the Trade Practices Act and Fair Trading Acts of the States and Territories to mislead consumers about the selling price or description of any item. This legislation applies to all retailers, regardless of whether or not they use bar code scanning technology, or whether they are a signatory to the Code.

5.4 FEATURES OF THE MARKET THAT MAKE SELF-REGULATION MORE OR LESS EFFECTIVE

5.4.1 Overall effectiveness in addressing market failure(s)

The supermarket scanning code has been highly effective in:

- allaying consumer concerns that the introduction of bar code scanning would result in widespread overcharging of consumers;
- improving the ability of consumers to verify the accuracy of displayed prices through the provision of detailed receipts that provide meaningful descriptions of each item purchased and the purchase price;
- providing a much more efficient, lower cost, means of dealing with any disputes between supermarkets and customers than would have been available through the courts; and
- providing immediate compensation for any instance of overcharging via the 'item free' policy.

The effectiveness of the Code is partly explained by features of the Code and consumer familiarity with that Code. The Code is relatively mature, having been in operation for over a decade, and as discussed in section 5.3.7 the "item free" policy is well known.

In addition, as discussed further below, the Code tends to be more effective due to a range of market factors including:

- the nature of the products purchased from supermarkets, the repeated nature of those purchases, and the highly accurate nature of the bar code scanning technology used to process those products. In combination, these factors mean that which means that it is relatively easy for consumers to detect differences between displayed and actual prices;
- the highly competitive nature of the Australian supermarket industry and the importance they place on preserving their reputations to retain and expand their existing customer base; and
- the strong common interest that both supermarkets and their customers share in ensuring that displayed prices are an accurate indication of actual prices that will be charged.

5.4.2 Product related factors influencing effectiveness

The products sold in supermarkets have a number of features that tend to improve the effectiveness of the code of self regulation including:

- the low unit costs and relatively short economic lives of those products. Since most groceries are relatively inexpensive, and must be purchased repeatedly, consumers are able to acquire accurate information on the prices and quality of supermarket products, and the performance of different supermarkets, from their past consumption experiences (ie the costs of 'experimentation' are relatively low). By contrast, it is much more difficult and expensive for consumers to obtain accurate information on product prices and quality for some of the other products governed by the codes under review, since the costs of such experimentation can be relatively high (eg the costs of determining the quality of pharmaceuticals);
- ease of product identification, in view of the extensive use of unique branding and packaging. This makes it easier for consumers to detect and prove any instance of overcharging; and
- the availability of highly substitutable products from a large number of other supermarkets. This makes it easier for any customer that does detect an instance of overcharging to change supermarkets if they are not happy with the service provided.

In addition, the effectiveness of self-regulation is increased by a number of features of the bar code scanning technology used to process supermarket products including:

- the documented improved accuracy of bar code scanning in relation to manual checkout operation; and
- the provision of much more accurate receipts to customers which provide meaningful descriptions of the product purchased, the supermarket its was purchased from, and the date and time of purchase.

5.4.3 Impact of nature and extent of competition between firms on effectiveness

The incentive and ability of supermarkets to implement an effective system of self-regulation has also been increased by the nature and extent of competition in the market for supermarket products.

As noted in section 5.2.2, the supermarket industry is characterised by a large number of highly competitive retail outlets retailing relatively homogeneous lines of products with small profit margins. This means there is strong competition on the basis price and location, in addition to other important factors such as ambience and product range. Although consumers may be willing to pay higher prices for the convenience of being able to purchase small quantities of products from their local supermarkets, they will be prepared to travel to more distant supermarkets to purchase larger volumes of products where the cost savings are more than sufficient to offset the additional travel costs.

The presence of significant price competition has provided an incentive for supermarkets not only to implement new technologies to reduce their costs, but also to implement an effective system of self-regulation to reduce consumer opposition to the introduction of those new technologies.

In addition, the prevalence of price competition also tends to improve the effectiveness of self-regulation, since product prices are much easier to objectively determine than intangible differences in product quality. For example, it is much easier to prove that a supermarket has overcharged a consumer for a particular product at the checkout than it is to prove that an advertisement concerning a product has misled consumers as to the performance of that product, or has offended consumers.

The effectiveness of self-regulation is also increased by the importance that supermarkets place on maintaining their good reputations. In Australia, there are extremely high levels of customer loyalty to their regular supermarkets.. This means that it tends to cost supermarkets much more to attract new customers than to retain existing ones. As a result, supermarkets tend to avoid any behaviour that is likely to alienate existing customers and damage their reputations.

5.4.4 Commonality of producer and consumer interests and effectiveness

The supermarket scanning code is also more effective due to the strong common interest that supermarkets and consumers share in maintaining consumer confidence in the accuracy of bar code scanning technology. As outlined below, this is due to the similarity of interests of consumers and producers, and significant overlap in those interests.

Similarity of consumer interests

All supermarket customers share a common interest in ensuring that the prices displayed accurately reflect the prices that will be charged at the checkout.

In particular, consumers tend to share relatively similar views on the ‘ethics’ of overcharging and a particular instance of overcharging imposes the same monetary loss on all consumers of that product. The precise impact that any checkout errors will have on the welfare of those consumers will of course still vary depending on their preferences for the product, and the proportion of their income that they spend on that product.

By contrast, some of the other codes reviewed seek to deal with potential sources of market failure where consumers have vastly differing views about the merits of reducing that market failure.

Similarity of producer interests

When bar code scanning technology was first introduced into supermarkets, all firms using that technology shared a strong common interest in reducing consumer resistance to the introduction of new technology.

Although such scanning technology is now widely accepted by consumers, supermarkets using that technology still have a strong common interest in maintaining consumer confidence in the accuracy of bar code scanning technology in view of:

- the significant benefits to be derived from the use of such technology, including cost savings arising from more efficient checkout processing and inventory control; and
- the considerable losses in sales that could arise from a loss in consumer confidence.

Supermarkets also share a strong common interest in:

- maintaining the reputations of their firms, since their long term profitability depends on their ability to attract repeat purchases from customers;
- complying with the provisions of Commonwealth and State fair trading legislation;
- engaging in collective action in order to reap economies of scale and reduce the costs of self-regulation to each firm. These economies of scale exist in view of the very small number of actual instances where displayed prices are lower than actual prices charged, and the relatively high fixed costs associated with developing systems of self-regulation.

The similarity of the interests of supermarket operators is also increased by the existence of relatively severe and immediate sanctions for non-compliance and an effective Code Authority.

Overlap of consumer and producer interests

The effectiveness of the Code is also increased by the significant overlap in the interests of consumers and supermarkets in reducing instances of overcharging. For example:

- if the displayed price is lower than the price actually charged, the supermarket will gain at the expense of the consumer (prior to the application of the 'item free' policy); and
- if the displayed price is higher than the actual price charged at the checkout (as has proven to be the case in most instances), the consumer gains at the expense of the supermarket.

In other words, in the absence of self-regulation, most of the costs arising from inaccuracies in displayed prices in supermarkets tend to fall on supermarkets and customers, as opposed to other sections of the community. By contrast, some of the other codes reviewed seek to address market failures that result in significant costs falling on other sections of the community that do not either produce or consume the product in question.

The overlap of consumer and producer interests, and hence the effectiveness of self-regulation, is also strengthened by:

- the importance that the supermarket industry places on maintaining good customer relations in order to retain and expand their existing customer base;
- the existence of effective sanctions for non-compliance; and
- the presence of effective Code Authority that maintains good relationships between firms and consumers.