

28 February 2019

Unit Pricing Code Consultation Paper
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: UnitPricingReview@treasury.gov.au

Review of the Retail Grocery Industry (Unit Pricing) Code of Conduct Discussion Paper

Thank you for the opportunity to participate in the review of the Retail Grocery Industry (Unit Pricing) Code of Conduct (the Code).

Coles is supportive of unit pricing as an effective tool that enables our customers to make informed choices. Coles notes that the ACCC Survey conducted in 2010 indicated that Coles had a high level of compliance to the Code (99%) and a high level of compliance to meeting the visual criteria of prominence, proximity, legibility and unambiguity (95%). In addition, despite having over 21 million customer transactions per week, Coles only received two formal customer complaints in 2018 in relation to unit pricing issues. Both complaints were in relation to toilet paper and involved confusion over rounding of unit pricing and use of 'per 100' as a unit of measure.

Whilst Coles is supportive of the Code continuing, Coles advocates for some minor amendments as set out below, in order to improve the effectiveness of the Code and practical implementation.

Implications of changes to the Code

While the implementation of unit pricing for all eligible products came at significant cost to Coles (~\$3.5m), now that those costs are sunk the ongoing costs to maintain compliance to the Code are relatively low. However, should substantive changes to the Code be undertaken - such as changes to font size or to units of measure - this would again result in considerable costs to Coles and the industry.

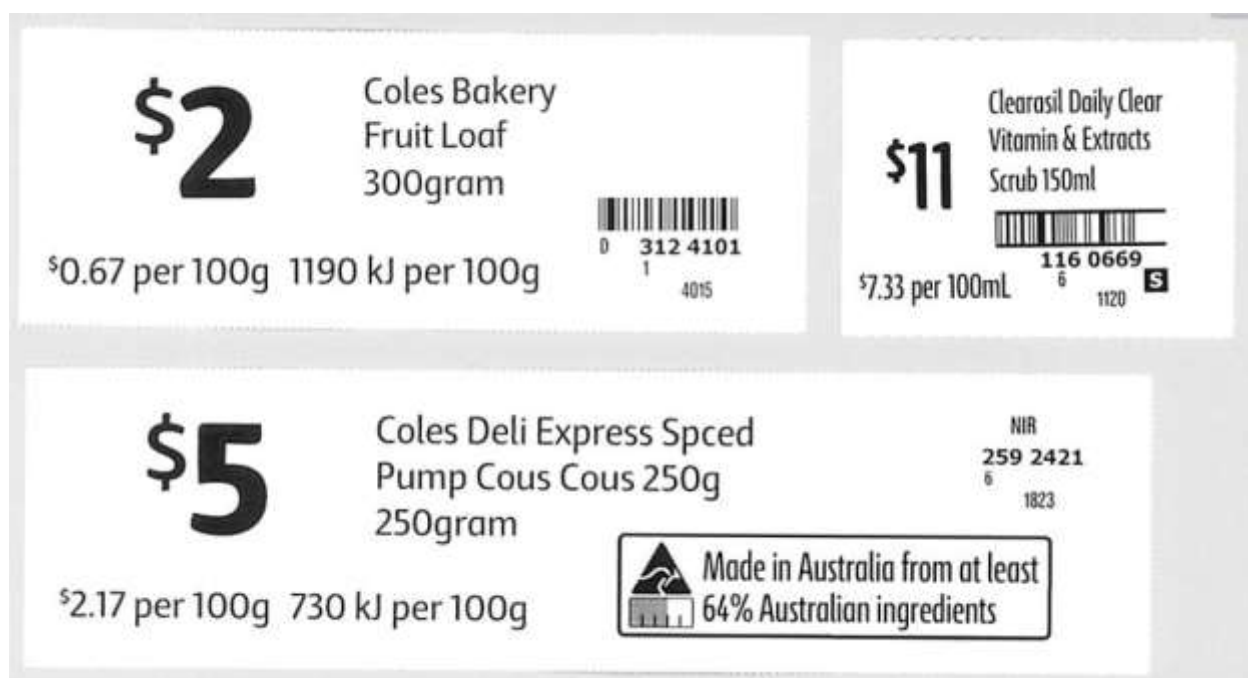
Specifically, Coles does not support any change being made to the requirement of unit pricing being 'prominent, proximate, legible and unambiguous'. The font typeface and size should not be prescribed as each retailer is best equipped to know how to meet this requirement within their systems and processes as well as the needs of their customers.

In the last 2 years, Coles has spent over \$10 million in updating hardware and software systems and tickets to meet the Country of Origin legislation. This legislation resulted in Coles introducing longer shelf edge labels in our Fresh Produce department to fit the required mandatory Country of Origin information on the label. This has resulted in the potential for shelf edge labels to overlap if the facings on a product are not sufficient to cater for the

length of the label.

As part of this work Coles also reviewed the unit price typeface and font size on our store shelf edge labels and enhanced the unit price information by implementing a clearer Sans Serif typeface and increasing the font size to 15 point on our larger ticket and 14 point on our smaller labels. Coles has designed our shelf edge labels to ensure the unit price is at the maximum height that will fit on a label which has limited real estate. As the examples below demonstrate, the information on our labels already occupies almost all available space, including having regard to minimum printer margins.

Examples of Coles' current shelf edge labels (actual size)

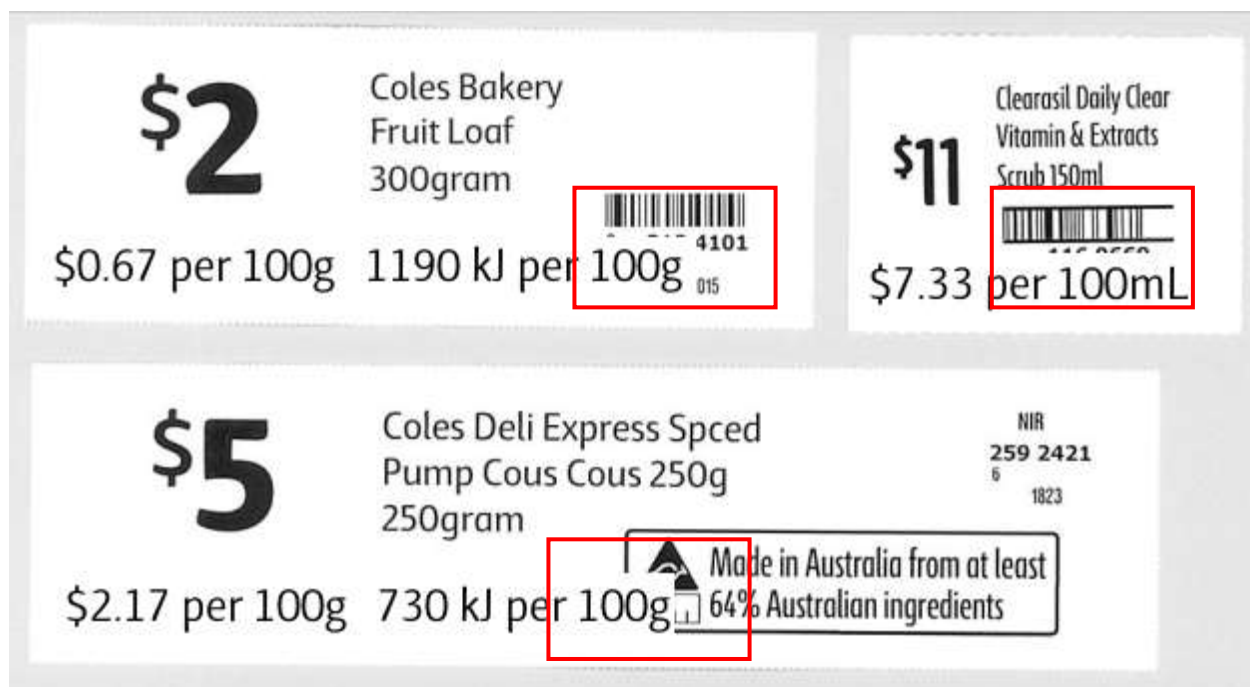


If the Code was updated to prescribe an even larger font size, the cost to Coles would be significant – approximately \$3.5 million assuming it was possible to fit both the unit price and KJ data onto our current stationary. However, as can be seen by the examples below, a larger unit price and kJ nutrition data cannot be accommodated on the existing labels and so a new ticketing solution would need to be identified. Therefore any change requiring the use of larger labels would be expected to impose a cost significantly greater than \$3.5 million, and very likely greater than the \$10 million cost of Country of Origin. We have already seen that the increase in label size made necessary by the Country of Origin legislation has created the potential for labels to overlap on shelf, creating customer confusion. Mandating a larger unit price font – and therefore once again requiring an even larger label size - would only serve to exacerbate this problem.

In the diagrams below, the unit price font size has been increased to 18 point. As can be seen, the increase in font causes an overlay with the important store operational data that must be included on each label. This operational data assists the store in activities such as matching the correct label to the correct product, setting the correct number of facings in

store and ordering product. In addition the increased font overlaps the mandatory Country of Origin data on the label.

Examples of Coles' shelf edge labels with increased font size (actual size)



As part of this review, consideration should also be given to the impact on other legislation to which the industry must adhere. For example the kJ Nutrition Labelling legislation stipulates that the kJ nutrition data printed on labels must be the same colour and at least the same size as the unit price.

Structure of the market

It is Coles' position that Unit Pricing should be mandatory for all major grocery retailers, including those new to the market, both online or bricks and mortar. As part of this review, it is recommended that the 'minimum range of food-based grocery items' criteria be amended so that all major retailers are captured, while maintaining the exclusion for small format retailers that have a footprint under 1000sqm.

To ensure that the Code captures all major retailers, it is suggested that the 'minimum range of food-based grocery items' be updated to capture retailers once they range at least 50% of the items below:

- a) Bread
- b) Breakfast cereal
- c) Butter
- d) Eggs

- e) Flour
- f) Fruit and/ or Vegetables
- g) Milk and / or milk substitutes
- h) Meat
- i) Rice
- j) Sugar
- k) Packaged food, other than food mentioned in a) to j)

The exemption for small retailers (those with a floor space under 1,000 square metres) should continue to be exempt under the Code. The considerably smaller range of products offered by these retailers does not lend themselves to a meaningful comparison between items and therefore the imposition of the Code would result in additional expense with limited benefit to customers.

Alternate units of measurement

While we have noted that any substantive change to the current Code requirements would expose the industry to additional implementation costs, it is Coles' position that some minor alterations to the Code could remove current areas of misunderstanding for customers. It is Coles' experience that the current 'Alternative Units of Measure' used in the Code for some products can lead to confusion for both customers and retailers.

It is suggested that the removal of the following alternate units of measure would go some way to simplifying this requirements, for example the following should be moved to the standard units of measure:

- Flour
- Packaged egg
- Pet products
- Laundry Supplies
- Ice
- Beverages

In some instances by being too prescriptive, the Code is creating unnecessary confusion by mandating inconsistent units of measure for products within the same category. For example:

- Flour is measured per kg whilst the all other baking ingredients are measured per 100g e.g. sugar
- Nuts must be unit priced per kg whilst the rest of the snack category is measured by 100g
- Tinned meat is unit priced per kg whilst the rest of canned meals is per 100g
- Beef Jerky is unit priced per kg whilst the rest of the snack category is measured per 100g
- Air fresheners are currently 10mL if sold by volume or 100g if sold by weight

Exemptions to the Code

In addition to the suggested changes around alternate units of measure, Coles would suggest the following refinements which would promote the efficiency and effectiveness of the Code:

- The exclusion of mainstream advertising where no comparison can be made to substitutable products and consumers only view the advertisement briefly e.g. billboards, bus stops, shopping centre posters.
- A stipulation that measurements applicable to "fruit and vegetables" apply only to fresh fruit and vegetables not further processed fruit and vegetables such as canned, frozen and value added.
- Clarity that the unit price needs to only appear once against a product - not each time a selling price is displayed. For example, it is sufficient for the unit price to appear only on the Shelf Edge Label and not against the sell price printed on packaging, shelf friendly displays or on any Marketing point of sale materials if they are in close proximity with the product and its corresponding shelf edge ticket. Coles suggest that the requirement is updated as long as the customer has convenient access to the unit price information at the place of display.
- An exemption on Event Merchandise given there are typically no product substitutes for these items and these items are typically only ranged for a short period of time and then removed from range. e.g. Halloween, Mother's Day, AFL football finals, Olympic Games etc.

While we believe these amendments would improve the Code overall, any change to the existing requirements will result in increased costs to retailers (updating IT systems, reissuing tickets to stores, printing and hanging tickets and monitoring compliance). Therefore we respectfully request a two year implementation period for any Code changes in order for Coles to schedule modifications so they result in as little disruption and cost to the business as possible.

Thank you for the opportunity to submit our contribution to the review of the *Retail Grocery Industry (Unit Pricing) Code of Conduct*. Should you require any further information, please contact me on [REDACTED] or on [REDACTED]

Yours sincerely

Anne Hatherley

Group Compliance Manager – Merchandise, Marketing and Privacy