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**Foodstuffs South Island Limited Unit Submission on the May 2022 MBIE
Discussion Paper on Mandatory Unit Pricing for Grocery products.**

PUBLIC VERSION

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Introduction

Foodstuffs South Island Limited (FSSI) a 100% New Zealand owned Co-operative retailer with stores throughout the South Island. The Co-operative's retail brands include PAK'nSAVE, New World, Four Square, Raeward Fresh, On-the-Spot, and Henry's Beer Wine and Spirits.

FSSI welcomes the opportunity to provide feedback on MBIE's Discussion Paper on mandatory unit pricing for grocery products.

FSSI supports the establishment of standardised unit pricing across grocery retailers.

Currently FSSI's PAK'nSAVE, New World and Four Square stores display Unit Pricing in-store in most product categories.

All PAK'nSAVE stores, the vast majority of New World stores and a small number of Four Squares use Electronic Shelf Labels (ESLs) to display the unit price. New World and Four Square stores without ESLs carry unit pricing on their paper tickets.

FSSI sees the key issues as:

- Defining the type of stores that mandatory unit pricing should apply to. FSSI supports application across large grocery retailers but recommends smaller retailers, typically convenience stores should be exempt.
- The potential costs to retailers if a rigid or prescriptive approach is adopted. For example FSSI has invested heavily in ESLs and its associated infrastructure with an average cost of [] for a PAK'nSAVE and a New World store, and [] for a Four Square. If changes were required there could be substantial costs incurred by those stores to comply.
- Unit Pricing should only be used where the customer can easily compare products i.e. at the point of sale or if shopping online. FSSI sees little value in unit pricing in digital or print advertising as there is little ability to compare prices on like for like products.
- There can be inconsistencies amongst suppliers with regard to the use of Unit Pricing. For example, similar products maybe expressed by volume or weight depending on the supplier and product type. Suppliers will need to be engaged in this process to provide consistency across the industry as Grocery retailers rely on suppliers for unit pricing information.

We respond to the questions in the discussion paper below.

4	Which grocery retailers should a mandatory unit pricing standard apply to?
	<p>Answer:</p> <p>The overarching principle in FSSI’s view is that unit pricing should be required where the consumer is able to make meaningful comparisons between like for like products. FSSI broadly supports the implementation of unit pricing for businesses who sell grocery products both in physical stores and online where such comparisons can be made.</p> <p>Accordingly, FSSI believes there should be exemptions for small convenience type stores as they are unlikely to offer a range which will allow for meaningful comparison to be made.</p>

5	Which of the approaches to threshold requirements (store size, product range, annual revenue) should be used to set the threshold for mandatory unit pricing in New Zealand?
	<p>Answer</p> <p>FSSI supports adoption of a minimum floor area with a minimum range of products for stores with a physical presence.</p> <p>For Online retailers with no physical retail presence, unit pricing should apply if they meet the minimum range of products.</p> <p>We do not support the adoption of an annual revenue threshold as we do not see this as a relevant measure of whom unit pricing should apply to and it does not address the issue of product range. As is noted in the paper it will also be difficult to monitor and it will also create a bureaucracy will no real benefit.</p> <p>Regardless of the threshold measurements adopted, FSSI would continue to provide unit pricing in its Four Square stores if they fell outside the threshold adopted.</p>

6	<p>If New Zealand adopts:</p> <ul style="list-style-type: none"> a) a floor size threshold, what should be the appropriate floor size (in square metres) for this threshold? b) a product range threshold, what products should be included? c) an annual revenue threshold, what is the appropriate dollar amount for this threshold, and should the threshold be set at group level or store level?
	<p>Answer</p> <p>a) FSSI supports adoption of a minimum floor area of 1000 square metres for physical retail stores.</p> <p>b) While we agree a minimum range of products should apply, we think the categories could be expressed more broadly than that contained in the Australian code. Under the Australian code if a retailer does not sell say fresh milk, but sells all the other products listed, then the code would not apply.</p>

	<p>We would recommend the minimum range being expressed as categories rather than a narrow range of products whereby, if you sell one or more products in each category you should be bound to provide unit pricing.</p> <p>As noted above minimum range should also apply to Online Retailers and regardless of floor size.</p> <p>c) We do not support an annual revenue threshold.</p>
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7	<p>Where should retailers be required to display unit pricing, and why?</p>
	<p>Answer</p> <p>As noted above the main benefit of unit pricing is to allow consumers to make a uniform comparison of the price of products where they can view them side by side.</p> <p>We therefore support unit pricing:</p> <ul style="list-style-type: none"> • on shelf in store, in close proximity to the product • in online shopping. <p>We do not support unit pricing in other advertising where there is no product comparison to be made, for example in digital advertising or mailers or for single products or for products that are unrelated.</p> <p>We agree with the Australian, European Union and United Kingdom stance that unit pricing should not apply to radio, television, audio and video.</p>

8	<p>Where the retail price is displayed on a product itself, should the unit price also be displayed on the product?</p>
	<p>Answer</p> <p>FSSI assumes this question refers to random weight products where a label is applied in-store e.g. seafood, butchery, bakery and deli. We agree unit pricing should be applied in general but note there are some products it may not be appropriate to e.g. cakes. Care needs to be taken the label is not so big the customer can't see the product e.g. meat packs.</p>

9	<p>Should grocery retailers be required to have a "sort and/ or filter by unit price" option on their website</p>
	<p>Answer</p> <p>FSSI agrees a "sort and/or filter by unit price" option would be appropriate on a website. We do not currently have a plan or cost estimate for such a filter.</p>

	Currently work is underway to show unit prices when like products are displayed on a grid level on our online shopping sites.
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10	In which forms of advertising should retailers be required to display unit pricing?
	<p>Answer</p> <p>As noted above we support unit pricing:</p> <ul style="list-style-type: none"> • on shelf in store, in close proximity to the product • in online shopping <p>We do not support unit pricing in other advertising where there is no product comparison to be made, for example in digital advertising or mailers or for single products or for products that are unrelated.</p> <p>We agree with the Australian, European Union and United Kingdom stance that unit pricing should not apply to radio, television, audio and video.</p>

11	What are the potential costs and benefits of including unit pricing in audio and video advertising formats
	<p>Answer</p> <p>FSSI sees limited if any benefit in advertising unit prices in video and audio formats due to the transient nature of these types of advertising. We do not have an estimate of cost at this time to add unit pricing to these formats. We would note that this has not been adopted in Australian, European Union or the United Kingdom.</p>

12	<p>a) What should be the standard and non-standard measurements for unit pricing in New Zealand?</p> <p>b) Should one litre or 100 millilitres be used as the standard measurement for volume?</p> <p>c) Should one kilogram or 100 grams be used as the standard measurement for weight?</p>
	<p>Answer</p> <p>FSSI agrees that standard and nonstandard measurements should apply and which therefore reflect the types of products in question.</p> <p>a) For standard measurements we support (and currently use):</p> <ul style="list-style-type: none"> • For an article supplied by volume, per 100 Millilitres • For an article supplied by weight, per 100 Grams • For an article supplied by number, per Item <p>For non-standard measurements we support (and use):</p> <ul style="list-style-type: none"> • Fresh Meat and Seafood Per Kilogram

	<ul style="list-style-type: none"> • Fresh Fruit and Vegetables Per item or per kilogram if supplied by weight • Beverages Per Litre • Eggs per each • Articles sold by roll (including toilet paper) per each <p>b) 100 millilitres should be the standard measurement for volume</p> <p>c) 100 grams should be the standard measure for weight</p>
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13	<p>Should the same unit of measurement be used for all products within the same product category?</p>
	<p>Answer</p> <p>FSSI does not believe it would be possible to use the same unit of measurement in a category as different products come in different forms. For example milk and cheese in the dairy category.</p> <p>Furthermore, currently suppliers do not always supply products with uniform measurements in a category. For example, mayonnaise is currently described by weight or volume depending on the product and supplier.</p> <p>The Government would therefore need to work with suppliers to introduce uniform measurements where possible.</p>

14	<p>Is the Australian approach to product exemptions appropriate for New Zealand??</p>
	<p>Answer</p> <p>FSSI currently uses and agrees with the Australian list of exemptions but we would also add:</p> <ul style="list-style-type: none"> • Pet Accessories • Beauty, hair, and cosmetics accessories • Cake decorations • Diagnostic tests & equipment • Home brew accessories • Shoe cleaning polishes and accessories • Solid fuels • Manchester • Gift cards

15	Should mandatory unit pricing apply to tobacco products in New Zealand?
	<p>Answer</p> <p>No. The Product is not displayed and so there is no value to unit pricing.</p>

16	Should mandatory unit pricing apply to alcohol products in New Zealand?
	<p>Answer</p> <p>FSSI currently have unit pricing on alcohol. We do not have a firm view on whether there should be unit pricing on alcohol.</p>

17	Are there any other products for which unit pricing may not be workable or appropriate? What are these products?
	<p>Answer</p> <p>See answer to question 14</p>

18	Should New Zealand adopt a principle-based approach to the display of unit pricing, or should there be more prescriptive requirements around font size, font, contrast, and location?
	<p>Answer</p> <p>FSSI supports a principle based approach rather than a prescriptive approach.</p> <p>Due to the different types and in particular size and shape of products on offer in a grocery store, a “one size fits all” or prescriptive approach would not be appropriate.</p> <p>The risk with a prescriptive approach is that:</p> <ul style="list-style-type: none"> • it can have unintended consequences. <p>For example it may mean that small sized products may have to be removed from shelf to accommodate the size of the labels required. Categories where this will be an issue include:</p> <ul style="list-style-type: none"> ○ Energy Drinks ○ Health and Beauty – For example Tooth Brushes, Health Tabs, Deodorants, Face Creams, Hair Styling ○ Herbs and Spices ○ Single Yoghurts ○ Gum and Mints ○ Small cans pet Food ○ Premium Olive Oils/Vinegars/Sauces ○ Premium International Foods <p>Appendix 1 contains pictures showing the visual effect on range.</p>

	<ul style="list-style-type: none"> • New World and PAK’nSAVE owners have invested heavily in ESLs extensively throughout their stores to provide the consumer with accuracy and consistency with regard to pricing, country of origin (as applicable), unit pricing and product details. A prescriptive approach runs the risk of making some or all of these labels non-compliant with a high associated cost to replace. • As noted above there is already a lot of information contained on a label already. Any unit pricing requirements will need to take into account the other information that also needs to be on the label and its legibility.
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19	<p>In your view, what are the most important principles or requirements for the display of unit pricing?</p>
	<p>Answer</p> <p>FSSI believes the most important principles are proximity to the product, legibility, consistency and clarity.</p>

20	<p>What should officials keep in mind when considering a more prescriptive option that specifies minimum requirements for the display of unit pricing?</p>
	<p>Answer</p> <p>As noted above, FSSI does not support a prescriptive approach.</p> <p>Almost all PAK’nSAVE and New World Stores in the South Island currently operate ESLs on their shelves. These labels vary in size depending on the product they are promoting. There are limits to the font sizes and information that can be carried on n ESL. A prescriptive approach runs the risk of making some or all of these labels non-compliant with a high associated cost to replace.</p> <p>There are similar issues with paper tickets as the ticket also needs to reflect the size of the product. Bigger paper tickets also run the risk of being damaged or knocked off a shelf by customers.</p> <p>If a prescriptive regime is put in place then there will be associated costs on stores to make the changes required to meet the new requirements.</p> <p>There will need to be engagement with suppliers to ensure they use consistent units across their product range.</p>

21	Do you have any views on whether mandatory unit pricing should be implemented through a consumer information standard under the Fair Trading Act 1986, or through amendment of the Weights and Measures Act 1987?
	Answer No

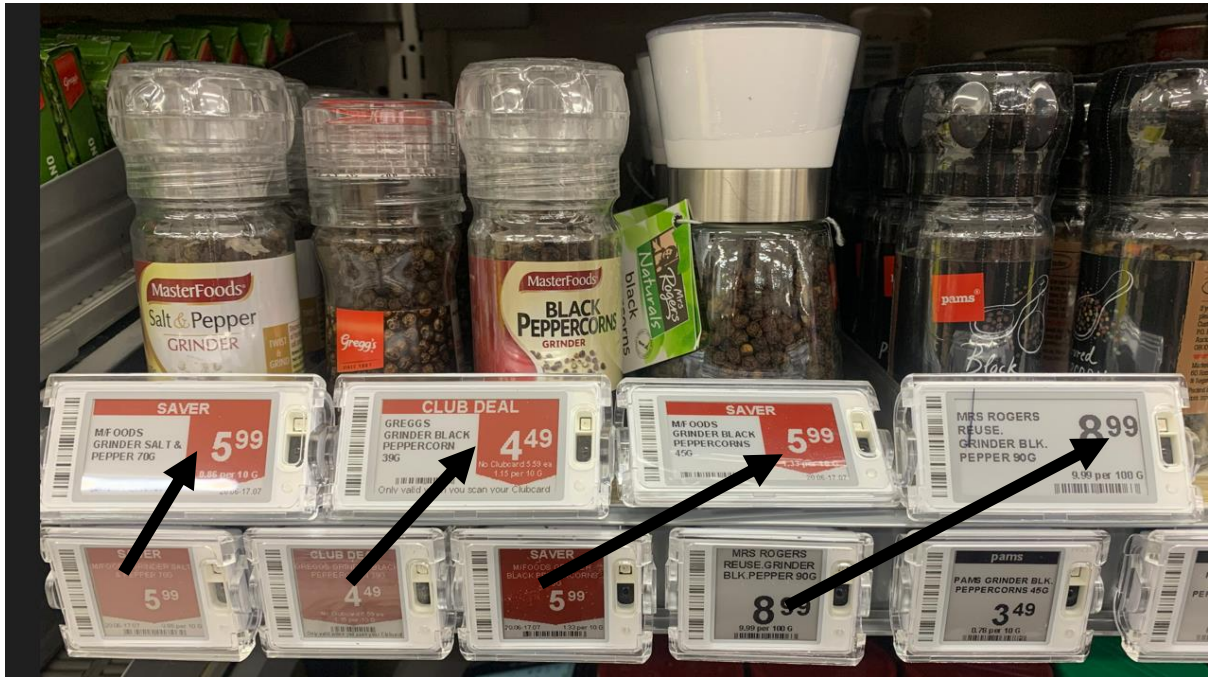
Appendix 1

A prescriptive approach which if it required larger labels than we use now, may have an adverse effect on the number of small sized products that can be ranged.

The picture below shows the current ESL label used with small sized goods. Each label clearly sits below the product it is advertising and it is therefore easy for the consumer to match the label to the product.



The photo below shows the effect of having to introduce a medium sized label for each product. As can be seen the number of labels would move from five to four. Therefore one product would need to be removed to avoid customer confusion in trying to match a label with a product.



The photo below shows the effect of having to introduce a large sized ticket for each product. As can be seen the number of labels would move from seven to four. Therefore three products would need to be removed to avoid customer confusion in trying to match a label with a product.

