

Irregularities in Retail Unit Pricing

CHATO International Pty Ltd ABN 67612560568

Honourable members of the Senate Committee,

We sincerely apologize for the delayed submission of our report. However, we believe the urgency and significance of its content merit your attention. The report details a critical discrepancy in how products are unit priced based on net content rather than actual value, which can mislead consumers and undermine fair market practices. We urge you to consider the implications of this issue on consumer rights and market transparency. Your understanding and consideration of this vital matter are greatly appreciated.

Executive Summary

Overview

The document 'Irregularities in Retail Unit Pricing' presented by CHATO International Pty Ltd. Covers extensive research into discrepancies and potentially misleading practices in unit pricing across major grocery retailers in Australia. With the annual sales in the market sectors reviewed exceeding \$2.7 billion, the findings underscore substantial, across the board consumer impact, particularly during times of cost of living pressures.

Relevant terms of reference:

(d) the prevalence of opportunistic pricing, price mark-ups and discounts that are not discounts.

((g) improvements to the regulatory framework to deliver lower prices for food and groceries.

Key Insights

1. Lack of Transparency in Unit Pricing: The ACCC guidelines mandate clear unit pricing to aid consumers in making informed decisions. However, examples like the “canned” salmon and olives below demonstrate significant discrepancies between actual product content and unit pricing advertised, misleading consumers about true costs.

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2. Consumer Law and Misleading Conduct: Under the Australian Consumer Law, misleading or deceptive conduct in trade or commerce is prohibited. The practices observed, where unit pricing includes significant quantities of preservatives or carriers (like water), clearly contravene these principles.

3. Impact on Consumers: In times of economic stress, consumers rely heavily on pricing to make cost-effective decisions. The lack of clarity and transparency directly affects their ability to choose wisely and manage budgets effectively, particularly when over 90% of reviewed prices showed irregularities.

Illustrative Examples

Product	Advertised Unit Price	Actual Content	True Unit Price of fish content	Consumer Impact
Salmon in Springwater	\$15.79/kg	61% salmon	\$26.32/kg	Misleading lower price shown
Always Fresh Kalamata Olives	\$7.55/kg	50% olives	\$15.10/kg	Doubled cost vs. advertised

Examples demonstrating the perceived value discrepancy in pricing.

Price \$	% Fish	% Water	Net content g	"Unit Price"\$ (Net)	Fish content unit price\$
\$1	61	39	100g	\$10/kg	\$16.40/kg
\$1	71	29	100g	\$10/kg	\$14.00/kg
\$1	100	0	100g	\$10/kg	\$10.00/kg

Unit priced based on their total net content without accounting for the actual quantity of the primary ingredient—in this case, fish. Consequently, two cans of the same size, one with a higher percentage of fish and one with a lower percentage (but possibly containing water or other fillers), may be priced similarly, even though their actual content value differs significantly. This can lead consumers to perceive an unfair pricing model, as the can with more filler does not provide the same value in terms of the primary ingredient but costs the same. This could also touch upon the concepts of "transparent pricing" or "value-based pricing," which suggest that prices should align more closely with the product's intrinsic value or composition.

Conclusion

The data reveals a longstanding issue with transparency in unit pricing that has significant implications for consumer trust and purchase decision-making. It is imperative that these

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findings be brought to the attention of the Senate enquiry into supermarket pricing. We recommend:

- Immediate review and enforcement of unit pricing guidelines.
- Strengthening regulations to ensure all components of a product are clearly delineated in the pricing.
- Regular audits by regulatory bodies to enforce compliance.

The goal is to restore consumer confidence and ensure fair pricing practices across the

Note: The report reviews, Over 60 samples covering more than 50% of the market offering by manufacturer and segments specifically “Canned” Fish, vegetables, beans and pulses, fruit and cheese in liquid.

Woolworths, Aldi and Coles pricing reviewed.

Note Coles and Woolworths catalogues from 2014 have the same irregularities in unit pricing.

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Revision record

R1 Dated 27/April/2024	Author	Andrew (Andrij) Dyhin
R2 Dated 27/April/2024	Author	Andrew (Andrij) Dyhin (content)
R3 Dated 29/ April/2024	Author	Andrew (Andrij) Dyhin (content)

The objectives of the Chato International consultancy:

Mission Statement: Our consultancy is committed to challenging and rectifying inefficiencies and unfair practices within the government, defence technology, and retail sectors. We stand at the forefront of advocating for ethical practices and the protection of consumer rights, aiming to foster an environment where fairness and integrity are paramount.

Vision Statement: We aspire to become an undisputed leader in ushering in an era of transparency, efficiency, and equity across these critical sectors. Our vision is not just to be a participant but a driving force in reshaping these industries to uphold the highest standards of fairness and accountability.

Objective in the Retail Sector: In the realm of retail, we position ourselves as a powerful force for positive change. Our aim is to unearth and challenge unfair practices, support legal initiatives, and robustly defend consumer rights. Achieving a formidable reputation hinge on our unwavering commitment to delivering exhaustive research, incisive analysis, and influential advocacy. Our strategy includes forging strong alliances with legal authorities, consumer advocacy groups, and regulatory agencies. These collaborations are vital in our quest to effectively confront and shape retail practices and policies, ensuring they align with our standards of fairness and consumer protection.

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This report provides comprehensive findings to support the Senate Select Committee on Supermarket Prices in their examination of supermarket pricing practices. The information herein is presented with a stringent focus on factual accuracy and relevance to consumer protection and fair pricing policies.

Laws and regulations impacting on consumer unit pricing.

- 1 ACCC Unit pricing guide updated annually to reflect current regulations, ensuring ongoing relevance and compliance.
 - a. Under this code, it is mandatory for major grocery retailers to display unit pricing clearly on both shelf labels and in advertisements, facilitating more straightforward price comparison for consumers and promoting market transparency.

In addition to the Code, the grocer should comply with:

- b. The Australian Consumer Law which prohibits misleading or deceptive conduct.
 - a. The obligations under other laws, including the Trade Measurements laws.

ACCC intent of the Unit pricing guidelines.

The ACCC's unit pricing guidelines aim to empower consumers by enhancing transparency and fostering competition among retailers through clearer pricing and easier price comparison.

In summary, the ACCC's unit pricing guidelines are intended to make shopping a clearer, more transparent, and fairer experience for consumers, ultimately leading to a

more competitive retail environment. **Then in the retail stores by example only.**

Salmon In Springwater 95gcan, Item price \$1.50 Published unit price \$15.79 / 1KG
Can data 1 serve per can 57g drained. Contents, Pink salmon 61% Spring water 38.5%
Salmon unit price therefore is \$26.32/kg "drained weight". Reference 1 provides a background to canning of food and highlights the misleading nature of current unit pricing practices when considering dry canning. Using the can "net" contents is deceptive.

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Australian consumer Law.

Section 18 of the Australian Consumer Law (ACL) deals with misleading or deceptive conduct in trade or commerce. In essence, it prohibits businesses from engaging in behaviour that is likely to mislead or deceive consumers. This includes any conduct, representation, statement, or action that can lead a consumer to form a mistaken belief or understanding about a product, service, or business practice. The focus of Section 18 is on the effect of the conduct, not the intention behind it, meaning that a business can be in breach of this section even if they did not intend to mislead or deceive. This provision is fundamental to ensuring fair trading and protecting consumers in Australia.

1 Another example:

Always Fresh Olives Pitted Kalamata 2kg \$15.10, Was \$16.80 Unit price \$7.55 / kg

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Pitted olives preserved, 2kg, sales banner \$15.10

Information provided 50% water, olive content therefore 1kg.

Unit price \$7.55 /kg claimed.

Olives drained actually \$15.10/kg



Product Details

Always Fresh Olives Kalamata Pitted carefully preserved to a time honoured tradition.

Ingredients

Kalamata Olives (50%), Water, Salt, Sugar, Food Acid (260), Colour (150d), Olive Oil, Preservatives (202).

Servings Per Package: 50

Serving Size: 20g

- 1 The Impacted annual market covered by the 3 largest retailers in the market is estimated in excess of \$2.7B per annum.
- 2 The pricing irregularity has been observed in data back to 2014 and is expected to appear from 2010, the start of unit pricing. That's a 24-year period over which unit pricing as described above has been at least 40% lower than price of the products described.
- 3 The data provided indicates that this irregularity appears in over 90% of prices reviewed in the categories of canned fish, canned vegetables, canned fruit, and "canned cheese in liquid". (Approximately 60 samples analysed to date.)
- 4 Today the impacted market is an estimated to be \$2.7B per annum. (Initial market data provided.) Attachment 2

Conclusion:

It is clear that there has been serious misrepresentation in how the unit price (Net) is currently used. The next "hypothetical" table exposes the misleading nature of the "unit price" (Net) It is not a "real life example" it does however clearly demonstrate the impact of "net unit pricing" on the value proposition.

Price \$	% Fish	% Water	Net content g	"Unit Price"\$ (Net)	Fish unit price\$
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Reference 1:

The Evolution and Techniques of Canning Food

Introduction

Canned food is an integral part of diets worldwide and its development began in the early 19th century. Nicolas Appert, a French confectioner, invented a method to preserve food by sealing it in glass jars and applying heat. This technique later evolved to use tin-coated steel containers, revolutionizing food preservation and storage, and significantly impacting military provisioning and global food supply chains.

Evolution of Canning Methods

Originally, canning involved cooking food directly within a sealed can, a process that allowed for both sterilization and preservation. Over the years, this method has seen various innovations including dry canning and adjustments in the use of liquids such as water, oils, or broths, which can dilute the "high-value component" of canned products.

Dry Canning

Dry canning involves sealing food without any added liquids, focusing on preserving the natural flavours and nutrients of the food. For instance, high-quality fish like salmon can be canned this way, sealed without water and cooked in its own juices, thus preserving nearly 99% of its original nutritional content. This method starkly contrasts with others that incorporate water or broths, potentially diluting the primary ingredient.

Traditional Wet Canning

In contrast, traditional wet canning adds water or a brine solution, which can significantly contribute to the total weight of the can. This method is typically used for canning vegetables, fruits, and beans. While the added liquids help preserve texture and prevent spoilage, they dilute the primary ingredient.

Pouch Canning

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Pouch canning is a contemporary advancement where food is sealed in airtight plastic pouches, with or without additional liquids. This method enhances the retention of the food's original texture and flavour, offering a visually appealing and tastier product. Nevertheless, similar issues regarding liquid ratios persist. For example, a pouch may contain 1 kg of olives “dry packed” outright, while a jar labelled Kalamata Olives 2 kg, could include 1 kg of olives diluted with brine. Differences in labelling and pricing can skew consumer perception of the value and cost between these two packaging options.

Conclusion

Understanding the various canning methods and their impact on “actual food content” of a “can” is important for ethical and compliant unit pricing. Clear labelling that accurately reflects the true value of canned goods is essential for informed consumer choices.

Attachment 1 Spreadsheet of samples analysed, Woolworths, Coles, Aldi. (Not attached due to size limits of documents) Available immediately on request.

Attachment 2 Photograph files(Not attached due to size limits of documents) Available immediately on request.