

# Submission to the ACCC Supermarkets Enquiry

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Prof. Harmen Oppewal, *Monash University* (email: [REDACTED]);  
Dr. Jun Yao, *Macquarie University* (email: [REDACTED])

## Introduction

This submission presents comments by two Australian academics based on research they and some of their colleagues published in recent years about how consumers respond to grocery prices, in particular the role of unit pricing and shrinkflation. The submission **provides feedback on item 15 of the Issues Paper: “The experiences of consumers in their dealings with supermarkets”**.

**The feedback is that our research overall provides strong support for the continuation and further strengthening of the regulation of supermarket unit prices and how they are displayed.**

References and links to the paper abstracts are provided at the end of the document.

## Comments

1. Our study published in the *Journal of Retailing* (Yao and Oppewal 2016a) shows that:
  - Unit pricing increases the salience of price in decision making, making consumers more price-sensitive, which in turn activates a greater motivation to select cheaper products.
  - The presence of unit price has a psychological priming effect that induces consumers to buy cheaper products.
  - The priming effect is stronger for consumers with lower levels of price consciousness. For those who are less concerned about price, unit price nevertheless acts as an additional reminder of the cost of the product.
  - **Thus, unit pricing benefits consumers by promoting economical spending on groceries. This is especially the case for consumers who are less price-conscious.**
2. Our study published in the *European Journal of Marketing* (Yao and Oppewal 2016b) shows that:
  - Unit pricing generally increases consumer satisfaction with the grocery shopping experience, despite the unit price adding more information to the already existing information load that grocery shoppers encounter.
  - **Thus, unit pricing benefits retailers in terms of increased customer satisfaction and possibly an improved store image.**
  - Consumers make purchase decisions more quickly when unit prices are available; the presence of unit price leads consumers to be more easily and likely to buy lower the lower unit priced products.
  - **Thus, unit pricing benefits consumers in making quick purchase decisions and improving their decision quality.**
3. Our study published in the *Journal of Academy of Marketing Science* (Yao et al. 2020; see also an article in *The Conversation* (Yao et al. 2022) shows that:
  - Unit pricing helps consumers to more easily identify price-size tactics by which identical products are sold in different price–size combinations. These tactics include “shrinkflation”, simultaneous increases or decreases in both the product price and size, selling the same product in different packages at different prices across different retailers, and the application of quantity surcharges (which is where the same product has a higher unit price when it is offered in a larger package). For these tactics, price is more noticeable and is given more

weight than size. Thus consumers were influenced more by the change in price than by the change in package size.

- Our study in particular identified how consumers may be guided to more easily accepting increases in a product's unit price when the price increase is implemented as a reduction in size (called shrinkflation), but in particular so when a substantive reduction in size is accompanied by a small *decrease* in the retail price (thereby in total still resulting in an increase in unit price). The presence (display) of unit prices however limited the extent to which consumers could be made to accept this form of shrinkflation, This was especially the case when a shopper was under a high cognitive load (as is typical for a regular supermarket shopper).
  - **Thus, unit pricing benefits consumers by helping them detect and avoid being affected by confusing price-size tactics, such as shrinkflation.**
4. Our study published in the *Journal of Business Research* (Bogomolova et al. 2020), using eye-tracking technology, found:
- A significant proportion of consumers only notice unit pricing when it is presented in a salient format, such as when it is presented as highlighted text or in a bold font, or when the words "Unit Price" are displayed.
  - Consumers may start to ignore the unit price information when they conduct repeated product choices. This may be due to them determining that (unit) prices are not relevant for them but it may also be due to the complexity of the information items on the price label.
  - There is no evidence that consumers object to the presence of unit price information or that the presence of this information would confuse them.
  - **This indicates that by default unit price information should be present and should be legible and easily accessible to consumers.**
  - The results also indicate that it is important to provide **ongoing education and remind consumers to check and compare unit prices, in both in-store and online shopping environments.**
5. Most of our studies used realistic images of products and supermarket shelves but they were limited to conditions where respondents had good eyesight and were directly in front of the unit price information. Unit prices displayed similarly on lower and upper shelves will be less legible. Also, the increasing use of electronic shelf tags, which tend to have less visual contrast than traditional printed labels, will limit the extent to which consumers can detect and determine the unit price of a product.
- **Unit price display regulations should therefore be strengthened to ensure that different types of consumers have access to easy to read and easy to understand unit price information in all locations.**
6. We also consider that promotional offers often appeal to consumers' emotional responses and stimulate quick or impulsive decision making. In such contexts it is particularly important that consumers have the relevant price information at hand. Our study mentioned above, as published in the *European Journal of Marketing* (Yao and Oppewal 2016b) shows that consumers appreciate and benefit from the availability of unit prices when they are under time pressure. Our study published in the *Journal of Retailing* (Yao and Oppewal 2016a) suggests that consumers benefit when not only the original unit price of a product (unit price before the promotion), but also the promotional unit price of the product (unit price after the promotion) is displayed on the price ticket or/and the promotion tag. Because different brands may employ different types of promotions, displaying promotional unit prices will help consumers compare values of promotions and make informed purchase decisions.
- **Therefore, unit prices should also be displayed as much as possible for promotional offers (e.g., price discounts, pricing bundles).**
7. Findings from our study, mentioned above, as published in *the Journal of Academy of Marketing Science* (Yao et al. 2020), suggest that consumers will also benefit from seeing if there have been changes in a product's unit price and/or changes in retail prices and sizes/volumes within a certain

time frame, for example, within 1 year. The presence of such information will make it easier for consumers to compare prices longitudinally and will help protect them from price increasing tactics such as “shrinkflation”. Although there are practical limitations and additional costs to retailers and regulators, such a tracking of price changes could be achieved by the introduction of a central repository where retailers weekly submit the prices of key grocery items.

- **We recommend that the committee considers the benefits to consumers of better informing them of changes in retail prices and unit prices.**

## **Conclusion**

**Our overall research findings indicate that consumers strongly value and benefit from the presence of unit pricing, and that consumers would benefit from a further strengthening of regulations regarding unit price as well of continued and increased consumer education regarding unit prices. These benefits to consumers in turn can provide benefits to supermarkets.**

## **References**

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## **Bios**

Harmen Oppewal is a Professor of Marketing in the Monash Business School. His research focuses on consumer behaviour in retail and related services contexts, using experimental, modelling and interpretative methods. He published extensively in major journals in marketing and retailing and supervised more than 25 PhD students. He serves on several editorial review boards including those of the *Journal of Retailing* and the *Journal of Retailing and Consumer Services*, and is Academic Director of the Australian Consumers and Retail Studies unit at Monash University.

Jun Yao is a Senior Lecturer in Marketing at Macquarie University. His research primarily focuses on consumer psychology and behaviour, particularly in experimentally observing consumer perceptions and predicting consumer decisions that relate to various pricing tactics, such as unit pricing, price setting, and price-quantity sensitivity in the retail context. His work has been published in the top academic journals and has appeared in national and international public media platforms. He is on the editorial review board of the *Journal of Consumer Behaviour*, and *Marketing Intelligence and Planning*.