

From: Dr Louise Strong
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OPEN LETTER TO GROCERY RETAILERS ON THE USE OF UNIT PRICING

As cost-of-living pressures have grown, the Competition and Markets Authority (CMA) has been working to understand how well markets in essential goods and services are working. In January 2023, we announced that we were opening a project to review the use of unit pricing in the groceries sector both in-store and online and in May we announced a stepping-up of work to assess how competition is working overall in the grocery retail market.^{1, 2}

Today we have published the findings from our review looking at how grocery retailers are displaying unit pricing information in-store and online: www.gov.uk/cma-cases/unit-pricing. This open letter summarises the findings and what we expect grocery retailers to do next.

At times of high inflation, and when shoppers are looking for the most competitive deals, it is critical that they can shop around and compare prices with confidence. One important driver of this is the ability to compare products by reference to unit prices. In light of our findings, we are urging all grocery retailers to read our report and to take steps to ensure they are complying fully with their obligations under the Price Marking Order 2004 (PMO) and related legislation.

Summary of Findings

The review identified several practices that we think are problematic, and which are likely to prevent consumers from making informed decisions when comparing products. In summary, the practices of concern are:

- examples of missing or incorrectly calculated unit pricing information – in some supermarkets and variety store retailers we saw isolated examples of this; however, in other variety store retailers we reviewed we found missing information across whole product ranges;

¹ <https://www.gov.uk/cma-cases/unit-pricing>

² <https://www.gov.uk/government/publications/an-open-letter-from-the-cma-to-the-groceries-sector>

- examples of incorrect units of measurement – we saw examples of some grocery retailers using grams and millilitres as standard when the PMO requires most products to be unit priced by kilogram and by litre;
- different unit metrics being used for the same type of product, such as liquid laundry detergent – both within the same retailer and across different grocery retailers in-store and online – making it hard for shoppers to compare prices on a like-for-like basis;
- issues with unit pricing for products on promotion – we found grocery retailers are taking different approaches to displaying unit prices for products on promotion both in-store and online, with some grocery retailers not displaying unit prices for discounted products at all;
- examples of unit prices in-store, particularly among the variety stores, which we consider are difficult to read;
- certain pages on some grocery retailers' websites not providing a unit price alongside a selling price until individual items were selected.

Some of the problems we have identified can be linked to issues with the PMO, which in some instances gives rise to unhelpful inconsistencies in grocery retailers' practices. We have, however, also identified examples of non-compliance by all grocery retailers that we looked at, albeit for some retailers these were relatively minor, which do not appear to be due to ambiguities in the PMO.

Today we have also made recommendations to government to reform the parts of the PMO (and related legislation) to improve unit pricing. This will help consumers access information that is easier to compare and more meaningful.³ Our proposed changes will also help businesses to understand better how to comply with their obligations under the PMO. We are calling on government to update the PMO to ensure that only one unit measurement can be used per product type; to clarify the legibility and proximity requirements; and to make clear that products on promotion should be unit priced to reflect the promotional price on all types of promotions where this is feasible.

Next Steps

Grocery retailers should review their unit pricing practices in light of our report. We expect that where grocery retailers identify practices that fail to meet the clear and unambiguous requirements of the PMO, they will take immediate action to correct them.

In addition, we are calling on all grocery retailers to give shoppers the unit pricing information that they need to make meaningful comparisons, particularly for products on promotion, ahead of any reforms to the PMO. Doing so will ensure that grocery retailers are also complying with the Consumer Protection from Unfair Trading

³ Any reform of the PMO would need to take account of the underlying weights and measures legislation - for example, the Weights and Measures Act 1985, the Weights and Measures Act 1963 (Cheese, Fish, Fresh Fruits and Vegetables, Meat and Poultry) Order 1984, and The Weights and Measures (Packaged Goods) Regulations 2006 - and whether certain aspects of relevant weights and measures legislation may also need revision.

Regulations 2008, which require retailers to give consumers material information in a manner that is not misleading.

We expect grocery retailers to:

- ensure that they unit price all their products of the same type using the same metric;
- display the unit price of each product clearly next to the product and selling price instore and online;
- give unit prices for products on promotion for all types of promotions where this is feasible. For example, for price reductions, promotions where a loyalty price is presented alongside a standard selling price, and multi-buy promotions for products of the same price and size across both in-store and online;
- review staff practices, procedures and training so that mistakes in unit price labelling do not occur.

The CMA will continue to monitor unit pricing practices in this sector. Should we identify examples of continuing non-compliance we will consider whether enforcement action is necessary.

If you are unsure of your obligations, you should consider seeking legal advice.

Yours faithfully,

Dr Louise Strong
Director, Consumer Protection