

Title: Measures to improve the Price Marking Order IA No: DBT034(C)-23-CCP RPC Reference No: N/A Lead department or agency: Department for Business and Trade Other departments or agencies:	Impact Assessment (IA)
	Date: 31/08/2023
	Stage: Development/Options
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries:
Summary: Intervention and Options	RPC Opinion: N/A

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
£64m	£-167m	£1.4m	6.8

What is the problem under consideration? Why is government action or intervention necessary?

How retailers display prices for consumers is governed in particular by the Price Marking Order (PMO). Subject to certain exceptions, the PMO requires traders to display the final selling price and, where appropriate the final unit price (e.g., price per litre/ kilogram) of products offered for sale to consumers in an unambiguous, clearly identifiable and legible manner.

An investigation into unit pricing by the Competition and Markets Authority (CMA) has identified problems with both the selling price and unit pricing. This has included unit prices not being legible, not using consistent units of measurement across product types, and unit pricing not being provided on some promotional items.

Following the CMA investigation, we are consulting on proposals to reform the PMO: to simplify requirements on unit pricing so it is more consistently applied, to clarify requirements on legibility and on how promotional pricing should be displayed, to review the “small shops” exemption, and to make provisions for the deposit return scheme (DRS), expected to be introduced in 2025.

What are the policy objectives of the action or intervention and the intended effects?

Government has committed to reviewing the PMO as part of the retained EU law (REUL) programme. The consultation was brought forward to be included in a package of reforms aimed at improving consumer transparency, particularly in the context of the cost-of-living. The policy objectives are:

- To make it easier for consumers to compare product prices
- To increase the use of unit pricing and hence reduce cost of food shopping for consumers
- To ease compliance with unit pricing legislation for businesses

The intended effects are:

- Consumers will benefit from improved consumer transparency by using price information to make informed decisions when making purchases.
- Retailers and traders find it easier to understand and comply with the legislation

Summary: Analysis & Evidence

Policy Option 8

Description: The "Do everything" option. This includes the monetised options of adjusting legislation to explicitly require unit pricing on promotional products and adjusting the small shops threshold. It also includes the non-monetised intervention options of improving pricing legibility, improving unit price consistency, requiring a Deposit Return Scheme fee to be applied exclusive of the selling price, and an education campaign to improve consumer unit pricing use.

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2020	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	High: N/A	Best Estimate: 64
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)
Low	NA		NA		NA
High	NA		NA		NA
Best Estimate	5		19		167
Description and scale of key monetised costs by 'main affected groups'					
There will be costs to business for supermarket chains and convenience store owners. Consumers would be expected to reduce their spend on groceries, which will reduce revenues (£162m) and therefore profits (£3.2m) for grocery outlets. There will be central set-up costs incurred by national chains (£5.3m), which will include interpreting legislation and costs in changing printing processes to alter shelf labelling.					
Other key non-monetised costs by 'main affected groups'					
There may be additional ongoing costs to supermarkets if shelf labelling needs to be displayed larger and clearer than before. Any education campaign to increase usage of unit pricing by consumers will incur costs to government.					
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)
Low	NA		NA		NA
High	NA		NA		NA
Best Estimate	0		28		231
Description and scale of key monetised benefits by 'main affected groups'					
There will be a reduction in overall consumer spend on groceries (£162m), saving consumers money and helping to contribute to easing the burden of the cost-of-living crisis. There will be a reduction in negative consumer experiences caused by misleading prices and misleading information (£5.1m). More unit pricing will help some consumers compare prices more quickly and therefore reduce the time they spend shopping, providing a time saving (£65m).					
Other key non-monetised benefits by 'main affected groups'					
Improving price transparency is expected to increase competition in the grocery sector leading to a fall in food and drink prices for consumers. Greater price transparency will reduce complaints due to misleading prices from consumers. This will save costs to business in dealing with these complaints.					
Key assumptions/sensitivities/risks					Discount rate (%)
					3.5
The reduction in consumer spend following unit price provision is estimated at 1% but is uncertain. The magnitude of this impact is crucial in knowing whether the intervention will reduce the cost of food shopping for consumers. The proportion of products without unit prices in convenience stores owned by national chains is not known and has been estimated at 50%. The time saved for shoppers by unit prices is not known and has been estimated based on academic literature. There remains costs and benefits of options 3-7 that have not been monetised at this stage.					

BUSINESS ASSESSMENT (Option 8)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 1.4	Benefits: 0	Net: 1.4	

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Evidence Base

Background

1. How retailers display prices for consumers is regulated in particular by the Price Marking Order (PMO) 2004 in Great Britain, and in Northern Ireland by the Price Marking Order (Northern Ireland) 2004.¹ We are consulting on the GB PMO in the 'Improving Consumer Transparency' consultation, however, we will share findings and learnings with NI officials.
2. The PMO generally requires traders to display the final price of a product offered for sale to consumers, inclusive of any taxes and subject to certain exceptions. In addition to the 'final price', traders must also display the unit price of a product offered for sale to consumers for, broadly, products sold from bulk and packaged goods that come within the Weights and Measures Act 1985.
3. The unit price is the price for a metric unit of a product, for example the price per kilogram or per litre. Unit pricing is intended to assist consumers in comparing the relative costs of different products regardless of their packaged size, by providing pricing information beyond the selling price. The PMO also regulates that product selling prices need to be clearly legible, easily identifiable, unambiguous and must be the final price, inclusive of all taxes.

Problem under consideration

4. Following the UK's exit from the European Union (EU) the government has committed to a review of all REUL, which includes a review of the PMO. The PMO implemented the EU's Price Indications Directive and regulates how retailers display prices for consumers.
5. Since the PMO was introduced in 2004 the food and drinks market has continued to evolve. Changes include the increasing popularity of online shopping, the increase in loyalty scheme discounts being offered by supermarkets, and changing preferences meaning the products bought by consumers are no longer the same as in 2004. This means the legislation concerning unit prices is now no longer as easy to apply to the current market as it was when it was introduced.
6. The CMA published a report into grocery unit pricing on 20 July 2023.² The report investigated the instore and online unit pricing practices of the retail sector, and made recommendations to government, including on legislative reform. The CMA identified examples of missing unit price information, incorrect units of measurement and inconsistency of unit metrics used for the same product. Inaccurate or missing unit prices limits consumers' ability to compare prices.
7. The CMA report identified that there are ambiguities in the writing of the PMO. This has resulted in differing interpretations on compliance across different retailers, leading to inconsistencies across retailers' practices.

¹ This document uses the term to include both the NI PMO and the PMO in Great Britain

² Groceries unit pricing review of compliance, CMA, 2023

8. The annual inflation rate for food and non-alcoholic beverages was 14.9% in July 2023.³ The sustained increases in food prices seen over the last year have brought further pressure on households, increasing the potential benefits from improving the use of unit pricing for consumers.
9. Since PMO introduction, there has been a rise in the number of convenience stores. This has been driven by national chain supermarkets increasing their number of convenience stores.⁴ These stores are defined as having less than 280 square metres of relevant selling area.
10. Sainsbury's opened their first convenience store in 1999 and now have over 800.⁵ Tesco now has nearly 2,000 convenience stores in operation.⁶ These stores are currently exempted from some PMO legislation concerning unit price display. The Society of Chief Officers of Trading Standards in Scotland (SCOTSS) has found evidence some convenience stores are not providing price information as consistently and clearly as is provided in larger supermarket stores.⁷
11. Furthermore, a Deposit Return Scheme (DRS) is planned to be introduced across the UK in October 2025. In a DRS, consumers are charged an additional deposit fee when they purchase a drink in a single-use container. This deposit is intended to act as an incentive to support recycling as it is redeemed when the consumer returns the empty container to a return point.
12. To comply with current legislation the DRS fee would need to be displayed as part of a final selling price. This may make the addition of the DRS fee less visible to consumers. This could reduce the return rate of these single-use containers, causing damage to the environment and costing consumers. It could also distort consumer purchases away from products that have this refundable deposit fee applied to them.

Rationale for intervention

13. Economic theory tells us that in well-functioning markets, businesses compete with one another, leading in general to lower prices and higher quality products. Competitive market pressures create incentives for businesses to become more efficient and innovative, driving economic growth. For consumers to engage in markets and create the conditions that exert competitive pressure on firms, consumers need to be able to understand and compare the prices of different goods and services. The PMO exists to ensure consumers have as much pricing information as possible when making consumption decisions.
14. Unclear pricing in a market is evidenced by consumers not making the best value decisions in their shopping. In September 2022, Which? found that 72% of respondents could not work out the correct price of fizzy drinks in a range of real-life examples from supermarkets.⁸ The CMA's recent report has found instances of pricing that is either confusing or missing within the food and drinks sector. A 2016 study found that providing shoppers with education on how to better use unit pricing delivered long term shopping

³ ONS inflation statistics <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>

⁴ Archive BBC article on supermarket sector, <https://www.bbc.co.uk/news/magazine-25762466>

⁵ <https://help.sainsburys.co.uk/help/terms-and-conditions/how-many-stores>

⁶ Statista, <https://www.statista.com/statistics/490955/tesco-group-stores-by-type-united-kingdom-uk/#:~:text=As%20of%20the%20end%20of,followed%20by%20799%20large%20stores.>

⁷ SCOTSS National Fair Trading Group – Supermarket & Convenience Shops Pricing Project 2022-23, <https://www.scotss.org/press/pricing.pdf>

⁸ Which? magazine September 2022, "The big savings you could easily miss"

savings of 11–13%.⁹

15. This evidence indicates consumers are not able to easily identify the cheapest grocery products when shopping, meaning there is an information failure in the market. Information failure is when participants in an economic exchange do not have perfect knowledge.¹⁰
16. Information failure leads to socially inefficient outcomes where consumers are not able to identify the product that best represents value for money. It is this Information failure that the changes to the PMO legislation aims to solve.
17. The provision of clear selling prices and unit prices does not have to be necessitated by legislation. Elements of the food and drink sector do voluntarily provide unit prices, for example providing a “per sheet” unit price on toilet paper products. However, leaving pricing and unit pricing decisions unregulated leads to inconsistency across goods markets, and in some cases an absence of unit pricing being provided.
18. The lack of consistency, occasionally missing unit prices, and potentially unclear pricing displays have a negative impact on the ability for the food and drinks markets to reach a socially efficient outcome. This consultation impact assessment is considering whether an adjustment should be made to the PMO legislation to ensure greater transparency of prices for consumers and greater ease of compliance for firms.

Rationale and evidence to justify the level of analysis used in the IA

19. This IA assesses the impact of PMO options which are being publicly consulted on as part of the ‘Improving Price Transparency and Product Information for Consumers’ consultation. The analysis assesses the impact that changes to the display of pricing information will have on consumers, as well as the impact changes to the regulation may have on businesses.
20. The analysis presented in this IA is considered proportionate for a consultation stage IA. This IA uses the best available evidence including for example:
 - The 2023 CMA report into unit pricing, which provides sector wide data and evidence on the coverage of unit prices on promotional products.
 - The 2022 research into unit pricing undertaken by Which? that provides self-reported unit price usage by consumers.
21. The analysis in this IA focuses on the food and non-alcoholic drinks sector given this is where unit pricing is most relevant. The grocery and drinks sector is the most common market where a ‘per kg’ or ‘per litre’ unit price in addition to the product selling price is used. The PMO applies to goods only. It does not apply to services, goods provided in the course of a service (e.g, shampoo during hairdressing) nor art or antiques nor sales by auction.
22. It is recognised that changes to the requirements to improve the legibility of selling prices will have impacts across other markets. Nevertheless, according to ONS household

⁹ Understanding how consumer education impacts shoppers over time: A longitudinal field study of unit price usage. Weeks, Mortimer, Page, 2016, <https://www.sciencedirect.com/science/article/abs/pii/S0969698916301394>

¹⁰ https://www.economicsonline.co.uk/market_failures/information-failure.

expenditure data food and non-alcoholic drinks constitutes 12% of total household expenditure and is the largest single trader to consumer product category.¹¹¹²¹³ Unit pricing isn't considered materially relevant in these other consumer spend sectors. For these reasons it is considered appropriate for the analysis to focus on the food and drink sector.

23. Further evidence will be collected during the consultation period. Specifically, evidence gaps will be filled through consultation responses and further consumer research. Annex B of this assessment contains some questions, the answers to which would help build the evidence base.

Description of options considered

24. Non-regulatory options to achieve business change with respect to the display of selling and unit prices are being considered. This could mean providing a best practice guidance document, which would help clarify ambiguities in the current regulation and better define non-compliance. Without accompanying regulatory change, best practice guidance, or alternatively a voluntary code of practice, enforcement would be difficult for enforcement bodies and it is less likely that consistency of price displays and practices across the entire sector can be achieved.
25. A non-regulatory intervention is considered qualitatively in this IA. Option 7 considers a public campaign to raise awareness and understanding of unit pricing. It has not been possible to monetise option 7 at this time given the lack of detail on the intervention.
26. It is planned that alongside any regulatory intervention, a best practice guidance document will be produced for the benefit of both businesses and enforcement bodies. The options considered in this consultation stage Impact Assessment are:
27. **Option 1:** Do nothing. Under this option the PMO would remain in force as it is now. This is the counterfactual against which other options are compared and therefore there are no associated costs and benefits.
28. **Option 2:** Strengthen and clarify the legal requirement that all promotional offers must present promotional unit prices wherever practical, alongside the promotional selling price, subject to current exemptions. Some exemptions would be required for certain promotions, for example when products can be mixed and matched for a certain price.
29. **Option 3:** Review whether an alternative threshold should be used to determine the "small shop" exemption. Small shops (defined as 'having relevant floor area not exceeding 280 square metres') are exempt from the PMO requirements to unit price pre-packaged products in constant quantities. An alternative threshold could, for instance, require that small shops that belong to national chains are no longer exempt.
30. **Option 4:** Reform legislation so requirements on providing clear and legible displays of unit prices and selling prices are more effective.
31. **Option 5:** Adjust the requirements on the units used for unit pricing. This might include simplifying the prescribed units for product types, updating the prescribed units for new product types, or increasing the consistency of units across different product types.

¹¹ Average annual household expenditure is broken down into 13 categories by the ONS. Trader to consumer categories are: Food and non-alcoholic drinks, alcoholic drink and tobacco, clothing and footwear, household goods and services, communication, recreation and culture, restaurant and hotels, miscellaneous goods and services.

¹² Non-trader to consumer categories are: Housing fuel and power, health, transport, Education, other expenditure items.

¹³ ONS, Family spending in the UK: April 2021 to March 2022,

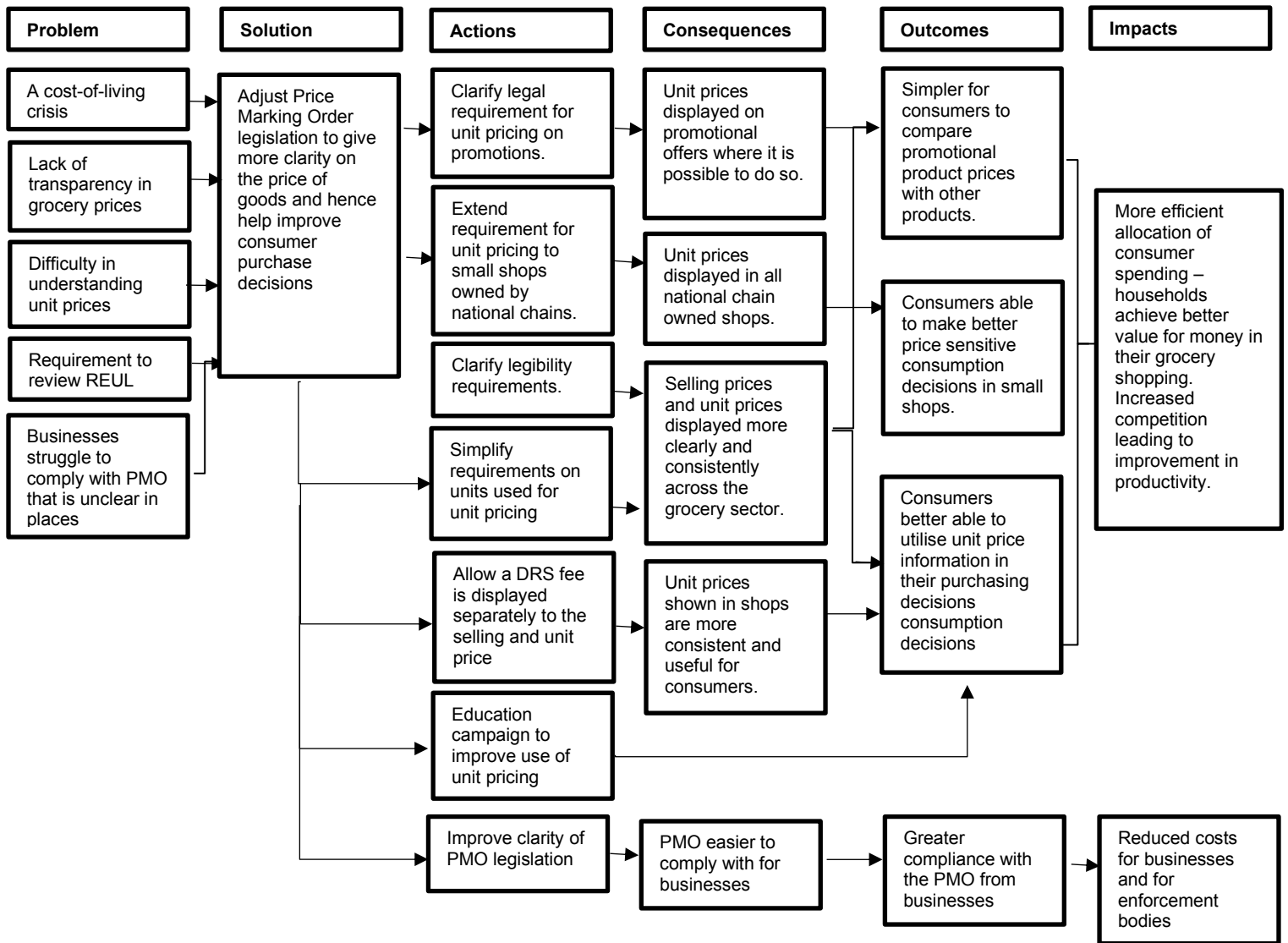
[https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/april2021tomarch2022#:~:text=Average%20weekly%20expenditure%20for%20all,10%25\)%20below%20FYE%202020.](https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/april2021tomarch2022#:~:text=Average%20weekly%20expenditure%20for%20all,10%25)%20below%20FYE%202020.)

32. **Option 6:** Adjust the PMO so the DRS will be required to present the deposit fee separate from the selling and unit price. The counterfactual is that the DRS fee to be included (as a tax) within the required final selling price and unit price.
33. **Option 7:** Undertake an information campaign to encourage the use of unit pricing.
34. **Option 8:** Do everything. This includes making all the adjustments to the Price Marking Order described in the above options.
35. To ensure proportionality of the analysis at consultation stage, further subsets of option combinations have not been assessed.

Policy objectives

36. The proposals have the following key objectives:
 - To make it easier for consumers to compare product prices. This will help reduce consumer expenditure costs, at a time where household budgets are pressured because of the current cost of living crisis.
 - To increase the use of unit pricing and hence reduce cost of food shopping for consumers.
 - To ease compliance with unit pricing legislation for businesses
37. There is an additional objective to ensure any pricing and unit pricing legislation allows for effective treatment of a DRS fee.
38. Price transparency is also expected to encourage competition across firms, which is expected to further lower prices of goods for consumers. The logic model below shows how the policy proposals are expected to achieve these objectives.

Figure 1: Logic model outlining the process of achieving the policy objectives



Analytical approach

39. This analysis focusses on the food and drinks sector. The food and grocery market was estimated to be worth £171 billion in 2023.¹⁴ Food and grocery spend occurs through the following channels:
- Supermarkets = 59% (£101 billion)
 - Online = 12% (£20.5 billion)
 - Convenience stores = 24% (£41 billion)
 - Other channels such as speciality retailers = 5% (£8.5 billion).¹⁵¹⁶
40. The unit pricing requirements of the PMO apply to online purchases and to stores with a relevant selling area greater than 280 square metres. These larger stores include hypermarkets, supermarkets and food discounters, which in this analysis are all referred to as supermarkets. Supermarkets and online spend totals 71% (£121 billion) of the annual consumer spend in the grocery sector.
41. The PMO requirement concerning unit pricing currently exempts food stores smaller than 280 square metres, which are referred to in this analysis as convenience stores. These convenience stores include stores run by supermarket chains, such as Tesco and Sainsbury's, as well as affiliated¹⁷ and non-affiliated independent stores. The grocery spend through specialist stores and other channels is not included in the monetised analysis.

Benefits

42. This analysis has monetised three benefits of the considered PMO interventions. It has only been possible to monetise benefits for options 2 and 3. The three monetised benefits are:

1) The reduction of consumer spend

43. If prices are displayed more clearly, consumers will switch their purchasing decisions to cheaper products and save money. This benefit is an estimate of the consumer spend in the food and drink sector saved due to consumers changing their purchasing decision.

2) The reduction of time it takes consumers to deal with problems related to the purchase of products

44. When consumers make purchases, they sometimes encounter problems. The damage suffered by consumers because of these problems is known as consumer detriment. The Consumer Protection Study (2022) attempts to estimate net consumer detriment in the UK by considering all the costs consumers faced, the compensations they might have received, the value of the product the consumer experienced detriment with, and the time they spent dealing with the problem.

¹⁴ Savills Grocery Report, 2022, https://www.savills.co.uk/research_articles/229130/347922-0

¹⁵ Mintel, supermarket report, via the Groceries unit pricing review of compliance, CMA, 2023, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1172289/CMA_Review_of_unit_pricing_in_the_groceries_sector.pdf

¹⁶ Specialist store: A store that specialises in a type of food, for example a butchers.

¹⁷ Affiliated independent store: A franchised store run independently, for example Londis.

- 45. Part of total consumer detriment arises from misleading prices and misleading information. It is this proportion of consumer detriment that the improvement of unit pricing should help to reduce.
- 46. To avoid any potential double counting of benefits with the reduction of consumer spend, this analysis has only included and monetised the estimated time costs for consumers in dealing with the problem. The reduction in time consumers spend following up on detriment because of misleading prices is the benefit captured.

3) The saving of consumers' time whilst shopping .

- 47. With access to unit prices, evidence suggests that when shopping without time pressure consumers are expected to take less time shopping.¹⁸ By improving unit pricing provision some consumers will save time shopping. The value of the consumer's time saved is the benefit captured.

Costs

- 48. This analysis has monetised three costs of the proposed interventions. Other costs such as menu costs have not been monetised in this analysis due to a lack of evidence. More evidence is welcomed from businesses so that a better understanding of the costs to businesses can be gained. It has only been possible to monetise costs for options 2 and 3. The monetised costs are:

1) Familiarisation costs

- 49. There will be a one-off familiarisation cost for businesses, incurred by UK supermarket store managers because of amending the legislation. Businesses, specifically supermarkets and grocery store retailers where relevant, will need to read and understand changes to the PMO legislation before enacting any changes.

2) Set-up costs

- 50. There will be one-off set-up costs incurred by supermarket chains in adjusting central processes following any legislative changes concerning the PMO. This might include internal guidance documents, the changing of labelling designs, and the changing of printing equipment.

3) Business revenue and profit loss

- 51. The reduction in additional consumer spend means reduced grocery spending. This is shown in the Net Present Social Value (NPSV) analysis and business Net Present Social Value (BNPV) as an equal cost to businesses via reduced revenues. For NPSV and BNPV purposes the reduced consumer spend is treated as a transfer between consumer and business, with no net impact.
- 52. This is considered a conservative analytical approach. In reality a significant proportion of that consumer saving would be expected to be spent on alternative consumer purchases within the economy in accordance with consumer's needs and wants.
- 53. The lost business revenue is not considered to represent a direct cost to business. If less of a product is being purchased, grocery retailers will amend their purchase orders accordingly. The direct cost to business is represented instead by the reduction in profit

¹⁸ Yao, J. and Oppewal, H. (2016). "Unit pricing matters more when consumers are under time pressure,"

that arises because of reduced revenues. The supermarket sector typically expects 1-3% profit margin;¹⁹ this analysis takes the mid-point to assume a 2% profit margin represents the direct costs to business.

Costs and benefits of each option

54. **All impacts presented below are in 2019 price years discounted to a 2020 base year** in line with Better Regulation Guidance and HMT Green Book appraisal methodology.

Option 1: Do nothing. Continue with existing regulations

55. The Price Marking Order (PMO) would remain in force as now for businesses and consumers.
56. This would not help support consumers through a cost-of-living crisis nor meet the obligation to review REUL. There would also be difficulty in displaying a DRS fee separately from the selling and unit price without adjustment to the current legislation.
57. This is the baseline counterfactual against which the policy options are assessed. There are no costs or benefits of this option. This option does not meet the policy objectives.

Option 2: Clarify requirements on displaying unit prices for items on promotion

58. The PMO would be reformed such that the requirement is clear that, where feasible, unit pricing should be provided for products on promotion, showing the unit price for the product once the promotional offer is applied. Existing exemptions would continue to apply and these would be clearly defined.
59. Under the current PMO stores smaller than 280 square metres are still required to provide unit pricing when selling from bulk. Maintaining current exemptions for option 2 would mean the new rules on promotion products will apply to smaller stores when selling from bulk. This exemption is still being explored as part of finalising the policy position. The costs and benefits of the impacts on small shops selling promotional products from bulk has not been quantified in this analysis.
60. The PMO would also be reformed such that the display of promotional selling prices for products is explicitly required. It has been assumed that this is likely already required under current consumer protection law and would therefore not be a change which incurs business or wider impacts.

Benefits to consumers

Reduced consumer spending

¹⁹ <https://marketingfoodonline.com/blogs/news/what-is-a-good-profit-margin-for-grocery-store#:~:text=In%20general%2C%20the%20profit%20margin,in%20a%20lot%20of%20places.>

61. This option is expected to reduce the total annual **additional consumer spend on promotional products by £26 million**.²⁰ This is a transfer from business and there is therefore an equivalent revenue loss to business, and hence **no net impact on the net monetised social benefit** of the option.²¹
62. When a product is placed on promotion, consumers buy more of that product. Some proportion of this increase is a rational response to the reduced price, where the reduced price causes an increase in demand.
63. Some proportion of this increase may not however represent the most rational choice for consumers when considering the price change. Some consumers use promotional offers as a heuristic indicator that a product is the best value. This is not always the case and mandating the provision of unit prices on promotional offers where practical will help to highlight to consumers the instances where the promotional offer still does not represent the cheapest alternative.
64. To estimate the reduction in additional spending because of this option the cost benefit analysis follows three steps:

1) Estimate the total annual additional spend in the food and drink on promotions

- There are 27.5 million households in the UK²².
 - Products bought on promotion by a typical household would have cost an extra £447 per year had those products not been on promotion.²³ Promotional offers change consumer purchase behaviour, encouraging consumers to buy more of the product on promotion and more products overall. When this additional purchasing is accounted for the true saving from promotions is estimated to be £87 per household per year.²⁴ This suggests that approximately £361 per household per year²⁵ is spent by consumers who have been encouraged to change their consumption habits and buy products on promotion which they would not have bought otherwise.
65. In total, we therefore estimate there was 27.5 million x £361 = £9,900 million of total annual additional spend on promotional products.

2) Estimate the proportion of promotional products that will see a change in their unit price display

66. Option 2 impacts promotion products:
- That are online or in supermarkets, which is 71% (£121 billion) of the total annual spend. It is possible, depending on the final policy position regarding exemption for small businesses, that some smaller online retailers will be exempted from the new promotional requirements. This analysis has assumed all online promotion sales will be impacted by the intervention.

²⁰ Shown in 2023 prices.

²¹ Indirect and secondary effects such as the knock-on incentives for businesses to compete and innovate are not monetised.

²² ONS,

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/householdsbyhouseholdsizeofenglandandgbconstituentcountries>

²³ Kantar Worldpanel UK 2020,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/947412/Sugar_Reduction_analysis_of_price_promotions_on_the_household_purchases_of_food_and_drinks_high_in_sugar__4_.pdf

²⁴ Kantar Worldpanel UK 2020

- For which it is practical to produce a unit price for, which is estimated at 75% of products. The reasoning is explained below, and
 - Where unit prices have not been displayed voluntarily by supermarkets, or for any other reason that means a unit price would not be provided, which is estimated at 50%. The reasoning is explained below
67. The most common promotional offers found in supermarkets and online are:
- Price reductions
 - Multibuy offers – for example multiple purchases of the same product allow a reduced combined price
 - Loyalty scheme discounts
 - Mix and match style offers – for example offers such as “buy any 3 for £5” or ‘meal deals’
68. Of these four types of offers, unit pricing is expected to be practical for price reductions, multibuy offers and loyalty scheme discounts. It is assumed that all four types of offers are used equally and therefore 75% of promotional products are compatible with unit pricing. Greater evidence on this area is welcomed.
69. To estimate how often unit prices for promotions are already displayed with such offers we use evidence from the CMA, which suggests:
- A high proportion of price reduction offers already include unit prices.
 - For multibuy offers the pre-reduction unit price is generally provided but the post-reduction unit price is not.
 - Mixed results were found on the provision of unit prices for products discounted through a loyalty scheme.
70. There are also exemptions on the requirement for unit pricing for products that are damaged or in danger of deterioration.
71. Considering the above findings this analysis assumes that 50% of items on a price reduction, multi buy or loyalty scheme promotion already have a unit priced displayed.
72. Combined this means $71\% \times 75\% \times 50\% = 27\%$ of the £9,900 million of total annual additional spend on promotional products is in scope.

3) Estimate the additional spend that might be averted because of the presence of unit pricing.

73. There will be occasions where, even with the promotion offer, there may be a better product available for cheaper in the same store. In this situation, it would make sense for the consumer to not choose the promotional offer. The occasions upon which the unit price provision leads to a shopper changing their choice is the element of averted spend that is estimated and therefore monetised. This analysis estimates that this happens in 1% of promotional offers. This is based off a 1977 study that found that consumer expenditures reduced by 1% following the introduction of unit prices in a supermarket.²⁶
74. To be methodologically consistent with the 1977 study the 1% reduction would be applied to the total spend on promotions. Instead, this analysis uses the estimate conservatively and applies it only to the additional spend on promotions. This conservative approach is followed given the age of the study being relied upon.

²⁶ Russo, 1977, “The value of Unit Price Information”

75. The method for calculating the reduced consumer spend on promotional products is shown below.

Annual household additional consumer spend on promotions = £447 - £87 = £361

Number of UK households = 27.5 million

Annual additional consumer spend on promotions = £361 x 27.5 million = £9,900 million

Proportion of total grocery spend in supermarkets or online = 71%

Proportion of promotions compatible with unit pricing = 75%

Proportion of compatible promotions without a unit price currently = 50%

Proportion of spend on promotions that will have a unit price displayed for the first time = 71% x 75% x 50% = 27%

Proportion of additional product spend averted = 1%

Annual benefit = Additional spend on promotions x % of promotion products that will have a unit price displayed for the first time x % of averted spend

Annual benefit = £9,900 million x 27% x 1% = £26.4 million. To note, this is a transfer with no net monetised impact on the net present social value estimate.

Reduced consumer detriment

76. Providing more unit prices on promotional products will mean clearer pricing and a reduced chance of price confusion for consumers. In certain circumstances, for example if a consumer assumes the promotional price reduction makes a product cheaper than an alternative when it is in reality still more expensive, consumers might feel they have in some way been misled due to the information and prices provided.
77. Unit price provision will reduce incidents of confusion similar to the above, leading to a **reduction in the amount of reported consumer detriment** due to misleading prices and misleading information. To avoid double counting with the benefit of reducing consumer spend, only the detriment relating to the time consumers spend dealing with product issues is monetised.
78. The total annual expected reduction in monetised detriment due to time cost on promotional products because of option 2 is estimated to be approximately **£0.5 million**.²⁷
79. To estimate the reduction in consumer detriment because of this option, the following steps are taken:

1) Estimate the detriment arising from misleading prices in the food and drinks sector

80. Of the £455 million of net monetised detriment in the food and drinks sector approximately £355 million is because of time costs. £56.7 million (16%) of this time cost detriment is caused by misleading prices/information.²⁸

2) Estimate the proportion of detriment incurred on promotion products that this option will lead to having a new unit price displayed

81. To estimate the proportion of consumer detriment incurred on products in scope, the following estimates have been needed:

²⁷ Shown in 2023 prices.

²⁸ 2022 Consumer Protection Study, <https://www.gov.uk/government/publications/consumer-protection-study-2022>

- 34% of total consumer spend is spent on products on promotion²⁹, which is taken as a proxy that 34% of total detriment is on products on promotion.
- 70% of promotion product detriment originates from purchases in supermarkets or online.³⁰
- 37.5% (75% x 50%) of total promotional offers will receive the addition of a unit price following the PMO change.^{31,32}

82. Combined this means 8.9% of misleading prices/information detriment is in scope.

3) Estimate the proportion of detriment that might be averted because of this option

83. To estimate the proportion of detriment averted, this analysis makes an uncertain assumption that 50% of misleading prices/information detriment will be averted by providing unit prices on promotions to individuals who regularly use unit pricing.
84. 58% of survey respondents claim to regularly use unit pricing³³. However, it is commonly found that social desirability bias³⁴ leads to overreporting of unit price usage amongst the public.
85. A 2012 simulated supermarket experiment allows us to estimate the size of unit price overreporting.³⁵ The experiment took two groups of respondents, each of which needed to complete an online shop. One set completed their shop with unit prices whilst the other set did not have unit prices. 45% of those that did not have access to unit prices said they noticed the unit prices. 69%, an additional 24%, of those that completed the shop with access to unit prices responded to say they noticed the unit prices.
86. From this it can be estimated that a reported rate of 69% represents a true rate of 24%. This gives a relationship multiple of 0.35 to derive a true rate from a reported rate i.e., $69\% \times 0.35 = 24\%$. Applying this multiple we multiply 58% by 0.35 to give an estimated true unit price use rate of 20%.
87. The provision of unit pricing on promotions will reduce instances of misleading prices and misleading information by an unknown amount. An uncertain assumption has been made that for individuals who use unit pricing, 50% of the detriment from misleading prices will be averted when the unit price is provided on promotions.
88. Combined this equates to 10% of in scope detriment is averted.
89. The method for the calculation of the consumer detriment reduction is below:
- Net monetised detriment from misleading prices/information = £56.7m*
Proportion of detriment arising from online or supermarket purchases = 70%
Proportion of supermarket and online spend spent on promotional products = 34%
Proportion of supermarket/online promotions where a unit price is missing but is possible = 37.5%
Proportion of detriment from promotions that gain a unit price = $74\% \times 34\% \times 37.5\% = 8.9\%$
Proportion of individuals who use unit pricing whilst shopping = 20%
Proportion of detriment averted for those using unit pricing = 50%

²⁹ Kantar Worldpanel UK, 2020

³⁰ 2022 Consumer Protection Study

³¹ From previous calculation that 75% of promotions are in scope and 50% of these promotions already have a unit price provided

³² It has been assumed that detriment occurs uniformly across products on promotion and products not on promotion.

³³ Which consumer survey, August 2022

³⁴ Social desirability bias is a bias that occurs in survey responses where respondents give answers to questions that they believe are the 'correct' answers, concealing their true opinions or experiences.

³⁵ Article from "The Conversation" describing the study, <https://theconversation.com/unit-pricing-is-smart-shopping-practice-but-do-consumers-care-8414>

Proportion of additional product spend averted = 20% x 50% = 10%

Annual benefit = detriment x % of detriment from promotion products to gain unit price x % of averted detriment

Annual benefit = £56.7 million x 8.9% x 10% = £0.5 million

Reduced amount of consumer time spent shopping

90. Provision of unit prices on promotional products will help consumers to **reduce the amount of time they spend shopping** in supermarkets and online. The total net monetised annual time saving benefit is **£11 million**.³⁶
91. The provision of unit prices on promotions will speed up decision making on the purchase of promotions for some consumers.³⁷ To estimate the reduction in consumer time spent shopping because of this option several steps are required.
- 1) Estimate the number of hours spent shopping each year in supermarkets or online**
92. Some evidence suggests individuals spend around 60 hours grocery shopping per year.³⁸ For this analysis it is assumed that each household does a one-hour grocery shop, 52 times a year, and that 71% of these shops are undertaken online or in supermarkets.³⁹ This means just over 1 billion hours of shopping in supermarkets or online every year.
- 2) Proportion of promotions that will gain a unit price from this option**
93. It is assumed time spent shopping on each product is proportionate to the value of spend on each product. From estimates used in the additional consumer spend benefit, 34% of spend is on promotions, 75% of promotions can get a unit price, and 50% of these promotions already do have a unit price provided. Combined this means 34% x 75% x 50% = 12.8% of shopping hours are spent on promotional items that will gain a unit price.
- 3) Estimate the value of a shopper's time.**
94. The value of a shopper's time is assumed to be £13.87.⁴⁰ This is the value of time used in the 2022 Consumer Protection Study.
- 4) Estimate the proportion of time saved, including adjusting for the proportion of individuals who use unit pricing**
95. As has been assumed previously, we estimate that 20% of individuals currently use unit pricing whilst shopping.
96. Against a control group without access to unit pricing, a 2016 study asked individuals to complete a fictitious, online simulated shop, and found individuals were able to complete their shop 31% quicker when using unit prices and not shopping under time pressure.⁴¹ A statistically significant effect of unit pricing was not found for those shopping under time pressure. Caution should be taken in applying this finding to the real world. In the study:

³⁶ Shown in 2023 prices.

³⁷ The changes may slow down decision making for individuals who will start to use unit pricing following the changes to the PMO, though this has not been monetised as no evidence in unit price literature has been found.

³⁸ <https://www.fivestarthomefoods.com/blogs/grocery-shopping-facts/>

³⁹ The Mintel supermarket report, via the Groceries unit pricing review of compliance, CMA, 2023

⁴⁰ 2022 Consumer Protection Study

⁴¹ "Unit pricing matters more when consumers are under time pressure", Jun Yao and Harmen Oppewal, 2016

- The individuals were aware they were undertaking a unit pricing study, potentially meaning a greater impact of unit pricing was found in the study than in the real world.
- The unit pricing information was displayed clearly, equal in size to the selling price. Again this is likely to increase the size of the measured impact.

97. The role of unit pricing in real world shopping will be more complex than in the environment created for this experiment, meaning there is a possibility that unit price impact is overstated in the study. An adjustment also needs to be made for the finding that when shopping under time pressure the effect of unit pricing could no longer be identified.
98. To adjust for these limitations and uncertainties, the time saving estimate is reduced by 90%. This means an estimated 3% time saving is expected from the addition of unit prices.
99. The method for the calculation of the time saved benefit is below:
- Households in Great Britain = 27.5 million*
Grocery shops per year per household = 52
Proportion of total grocery spend in supermarkets or online = 71%
Total number of hours shopping in supermarkets or online = 27.5 million x 52 x 71% = 1,015 million
Proportion of supermarket and online spend spent on promotional products = 34%
Proportion of supermarket/online promotions without a unit price = 50%
Proportion of supermarket/online promotions for which a unit price is missing but is possible = 75%
Proportion of detriment from promotions that gain a unit price = 34% x 50% x 75% = 12.8%
Value of a shopper's time = £13.87 per hour
Proportion of individuals who use unit pricing whilst shopping = 20%
Proportion of time saving due to promotions intervention = 3%
Benefit = hours shopping x % shopping on promotions in scope x cost of time x % using unit prices x value of time saved per shop
Benefit = 1,015 million x 12.8% x £13.87 x 20% x 3% = £11.4 million
100. As the PMO currently stands, the requirement to provide unit pricing on products on promotion would also apply to smaller stores that are selling product from bulk. This element of the policy is still being explored. If this is the treatment, a benefit to consumers in being able to clearly understand the new price following promotional would also apply when buying products from bulk. This consumer benefit has not been quantified at this stage.

Benefits to business

101. There are no monetised benefits to business identified for option 2. A non-monetised benefit identified is the improved clarity for businesses in how they should display unit prices for promotional products. This improved clarity should provide greater certainty for businesses in how to comply with the PMO.
102. Reducing cases of confusion for consumers should reduce the number of enquiries and complaints that supermarkets need to deal with. This should help save some business costs for these supermarkets.

Cost to consumer

103. It has been assumed that for individuals who either already use unit prices or attempt to calculate unit prices themselves in the absence of unit prices, mandating the provision of unit prices on promotions will save those individuals some time when shopping.
104. However, there may be groups of individuals who do not currently use unit prices, and instead make their consumer decisions using an alternative heuristic method. Heuristic methods are short cut techniques that allow individuals to make fast decisions. In grocery shopping, common heuristics could be picking products on promotion, picking products in larger sized containers, or sticking with known brands.
105. If these individuals begin using unit prices following their display on promotional products, there is a possibility that this could increase the time it takes them to shop for groceries. Insufficient evidence has meant this impact has not been monetised.
106. No other costs to consumers have been identified for option 2.

Cost to business

107. It is possible that the promotional requirements to provide unit prices on promotional products would also apply to products sold from bulk from stores under 280 square metres. Any impacts on stores under 280 square metres that are selling product from bulk has not been quantified at this stage. The policy is still being explored and will be developed further following evidence collected in the consultation. If the current exemptions were maintained, some costs to these smaller stores in providing the additional unit prices would be expected to be incurred. This would include familiarisation and set-up costs, some business profit loss and some menu costs. The quantified impacts included in this analysis concern only stores larger than 280 square metres.

Familiarisation and set-up cost

108. There is an estimated one-off familiarisation and set-up cost for businesses of **£3.3 million** which will be incurred by UK supermarkets because of amending the legislation concerning promotions.⁴²
109. Familiarisation cost captures the reading time for store managers to read and understand changes to the PMO legislation.
110. Set-up costs captures the costs supermarket retailers will also incur centrally in adjusting processes for labelling changes as required by the changes to the legislation.
111. The number of staff that will be required to familiarise themselves with the PMO changes has been estimated, with their respective salaries obtained from Office for National Statistics (ONS) Annual Survey of Household Expenditure (ASHE) tables. For each store, one manager is expected to familiarise themselves with the new legislation. This cost is estimated at £0.3 million, which is equivalent to £6.39 of reading time per store. Greater evidence is welcome in this area.
112. There is not much evidence currently held on the set-up costs for supermarket chains in providing unit price information on promotions. An uncertain assumption has been made that for each of the 16 national supermarket chains,⁴³ central costs totalling £0.2 million will be incurred to adjust labelling on promotional items to include unit prices. It is

⁴² Shown in 2023 prices.

⁴³ https://www.wikiwand.com/en/List_of_supermarket_chains_in_the_United_Kingdom

assumed that these costs also include costs incurred for supermarkets in updating their online retail business.

113. A breakdown of the familiarisation cost methodology is presented below:

Words to read = 2,000⁴⁴

Reading speed = 100 per minute⁴⁵

Staff costs per supermarket store = Managerial x 1 at £19.18/hour

Reading time cost per store = $2000/100/60 \times ((1 \times £19.18) = £6.39$

Number of supermarkets = 10,629⁴⁶

Number of supermarket chains = 16

Cost per supermarket chain = £0.2 million

Familiarisation cost = Reading time per store x stores

One-off Familiarisation and set-up cost = $(£6.39 \times 10,629) + (16 \times £0.25 \text{ million}) = £3.3 \text{ million}$

Business profit loss

114. The reduction in additional consumer spend means reduced revenue for supermarkets. This is captured as a transfer between consumers and businesses, meaning the indirect cost to business is equal to the consumer benefit, equalling **£26 million per year**.⁴⁷
115. However, the lost revenue does not represent a direct cost to business. If less of a product is being purchased, grocery retailers will amend their orders accordingly. The direct cost to business is represented instead by the reduction in profit that arises because of reduced revenues. This analysis takes the mid-point to assume a 2% profit margin. An **annual ongoing profit loss to business of £0.5 million from reduced consumer spend is estimated**.⁴⁸

Menu costs

116. Menu costs are the costs of changing pricing labels. Supermarkets incur these costs regularly, changing approximately 16% of their product prices each week.⁴⁹ As supermarkets regularly change prices, the costs of changing prices to comply with the PMO are assumed to be incurred as part of the normal running of business and therefore represents no additional cost above the counterfactual.
117. This assumption remains reasonable as long as supermarkets are given a reasonable amount of time to adjust to the new legislation. If supermarkets are required to adjust to the new legislation in only a matter of weeks, supermarkets would likely incur significant one-off menu costs.
118. There may be additional costs in printing, for example the reconfiguration of printing designs to include space for unit pricing, however this is not expected to be significant and has not been monetised. Greater evidence is welcomed in this area.

⁴⁴ Number of words (8000) in CTSI guidance for traders on business practices used as a proxy for the length of reading required following an update. Each change is assumed to carry a familiarisation cost equivalent to 25% of the length of this document.

⁴⁵ "The usual reading speed for memorizing is under 100 wpm, while the average rate for learning is between 100 and 200"
<https://wordrated.com/reading-speed-statistics/>

⁴⁶ IGD Retail Analysis, 2018, <https://www.igd.com/Portals/0/Downloads/Research/UK-grocery-stores-table.pdf>

⁴⁷ Shown in 2023 prices.

⁴⁸ Shown in 2022/23 prices.

⁴⁹ The Magnitude of Menu Costs: Direct Evidence from Large U. S. Supermarket Chains, Levy, Bergen, Dutta and Venable, 1997

Cost to public sector

119. There may be additional enforcement costs for Trading Standards in checking that supermarkets are abiding by the legislation adjustments. Conversely, enforcement costs could be reduced, given that firms will find it easier to comply with clearer legislation. Due to this uncertainty, costs to the public sector have not been quantified.

Cost-Benefit analysis

120. Over a 10-year appraisal period from 2023/24 to 2032/33, Option 2 leads to a central estimate of **£64 million of net societal benefit**.
121. Option 2 leads to a **net business impact of -£150 million and an EANDCB of £1m**. This is made up of a profit loss for firms from reduced consumer spend in supermarkets and online, plus one-off familiarisation costs.

Table 1: Option 2 Impacts

Cost of Option (2019 prices, 2020 present value)			
Total Net Present Social Value	Business Net Present Value	Net direct cost to business per year	BIT Score
64	-150	1	4.9
Appraisal Period (Years)	10		

Option 3: Reform the “small shop” exemption so the requirement for providing unit prices applies to small shops that are owned by large national chains

122. The small shop exemption was introduced to mitigate against the potentially burdensome administrative cost the necessitated displaying of unit prices would cause independent convenience stores. The exemption removes the requirement to unit price products sold pre-packaged as required by the Weights and Measures Act or bread made up in a prescribed quantity. Small shops, like large shops, do in general have to unit price for products sold from bulk.
123. Option 3 would keep in place the small shop exemption on unit prices for independent convenience stores, itinerant traders and vending machines.
124. However, option 3 would require convenience stores run by larger organisations to provide unit pricing. The policy has not been fully developed with regards to exactly which businesses would be required to provide unit pricing, nor the method through which this would be achieved.
125. For the purposes of the analysis undertaken, it is assumed this would include co-operative societies (e.g., Co-Op group) supermarket chain retailers (e.g. Tesco Express) and those convenience stores franchised as part of a symbol group (for e.g. Premier). They would be required to display unit pricing on their products similar to the current requirement for grocery stores larger than 280 square metres.

126. There are approximately 49,000 convenience stores in the UK,⁵⁰ of which:
- 7% are run by co-operative societies (such as Co-op Group)⁵¹
 - 12% are run by multiple retailers (such as Tesco)
 - 36% are run by stores affiliated with a symbol group
 - 45% are run by independent convenience store retailers
127. The proposal would require non-independent convenience stores to provide unit pricing, totalling 55% of all convenience stores. The rationale is that the compliance cost of providing unit prices does not represent disproportionate or distortionary additional costs to these stores relative to the benefit it will provide to consumers.
128. The benefits to consumers from the introduction of unit pricing into supermarkets is well documented⁵². If the use of unit prices were increased across convenience stores it is expected that consumers shopping in these shops will use unit pricing more and hence benefit from doing-so.

Benefits to consumers

Reduced consumer spending

129. This option is expected to **reduce the amount of spend by consumers on groceries in convenience stores**. The total annual monetised reduced spend is **£2.5 million**.⁵³
130. To estimate the reduction in consumer spend, several steps are required.
- 1) The spend on products in relevant convenience stores.**
131. £41 billion is spent in convenience stores, of which 29% is spent in non-independent stores.⁵⁴ This means an estimated £11.9 billion is spent in convenience stores which would be required to display unit prices under this option.
- 2) The proportion of products that are missing a unit price and would be required to have a unit price displayed following the change.**
132. This has been estimated by using evidence from the SCOTTS National Fair Trading Group report.⁵⁵ This report estimated that 8.6% of unit prices are incorrect in convenience stores and 6.5% of unit prices are incorrect in supermarket stores. The difference between the two is 2.1%, which is used as an estimate for the improvement in unit pricing provision that this option may achieve.
133. This is likely an underestimate of the impact of the requirement for unit pricing in some convenience stores, as it does not capture occasions where no unit price is currently

⁵⁰ Local Shop report, 2022, https://cdn.acs.org.uk/public/acs_isr2022_summary_print_report_16pp_d6_v2_aw_b_lr_spreads.pdf

⁵¹ Percentage breakdown estimated from 2018 analysis from IGD Retail Analysis, UK Grocery Store Numbers

⁵² For example, a 2019 summary of evidence from Australia on the benefits of unit pricing Submission to the Review of the Retail Grocery Industry (Unit Pricing) Code of Conduct, https://treasury.gov.au/sites/default/files/2021-05/c2018-174951_bogomolova.pdf

⁵³ Shown in 2023 prices.

⁵⁴ 29% of convenience stores are non-independently run. We assume that on average spend across independent and non-independent stores is equal <https://www.acs.org.uk/research/local-shop-report>.

⁵⁵ SCOTSS National Fair-Trading Group – Supermarket & Convenience Shops Pricing Project 2022-23

provided and will be required after the intervention. There is not currently an estimate for the proportion of products missing a unit price in these convenience stores. It therefore has not been possible to quantify the benefit of unit price provision for these products.

3) The benefit of displaying a unit price.

134. The provision of a unit price on a product is estimated to reduce spend on that product by 1%⁵⁶

135. The method for calculating the reduced consumer spend in small shops is shown below.

Spend in relevant stores = £11,900 million

Increase in unit price provision = 8.6% - 6.5% = 2.1%

Proportion of additional product spend averted = 1%

Annual benefit = Spend in relevant stores x % increase in unit price provision x % of averted spend

Annual benefit = £11,900 million x 2.1% x 1% = £2.5 million. To note, this is a transfer with no net monetised impact on the net present social value estimate.

Reduced consumer detriment

136. Option 3 is expected to **reduce the amount of consumer detriment incurred from shopping in some convenience stores** due to misleading prices and misleading information. To avoid double counting with the benefit of reducing consumer spend, only the detriment relating to the time consumers spend dealing with product issues is monetised.

137. The total annual expected reduction in net monetised detriment due to time cost is estimated to be approximately **£0.4 million**.⁵⁷

138. To estimate the reduction in consumer detriment because of this option, the following steps are taken:

1) Estimate the detriment arising from misleading prices in the food and drinks sector.

139. This was estimated for option 2, establishing that £56.7 million (16%) of time cost detriment is caused by misleading prices/information.⁵⁸

2) Estimate the proportion of detriment incurred on relevant convenience store products.

140. 24% of time cost detriment is incurred in convenience stores. 29% of convenience stores are in scope for the change to the small shops exemption. This means 24% x 29% = 7% of misleading prices/information detriment will be impacted by the small shops intervention.

141. A further adjustment to account for the proportion of products that gain a unit price within the relevant convenience stores is not made. It is likely that the majority of detriment

⁵⁶ Russo 1977 "The value of Unit Price Information"

⁵⁷ Shown in 2023 prices.

⁵⁸ 2022 Consumer Protection Study

related to misleading price will derive from products with incorrect unit pricing or products missing unit pricing.

3) Estimate the proportion of detriment that might be averted because of this option.

142. This analysis uses the previously estimated unit price usage rate of 20%, and the assumption that 50% of this detriment can be averted when unit prices are provided. Combined this equates to 10% of in scope detriment is averted.

143. The method for the calculation of the consumer detriment reduction is below:

Calculation of reduced consumer detriment benefit

Net monetised detriment from misleading prices/information = £56.7m

Proportion of detriment arising from relevant convenience store purchases = 24% x 29% = 7%

Proportion of additional product spend averted = 20% x 50% = 10%

Annual benefit = detriment x % of detriment from products to gain unit price x % of averted detriment

Annual benefit = £56.7 million x 7% x 10% = £0.4 million

Reduced amount of consumer time spent shopping

144. This option will help consumers to **reduce the amount of time they spend shopping** in convenience stores. The total net monetised annual time saving benefit is **£0.2 million**.⁵⁹

145. The provision of additional unit prices in some convenience stores will speed up decision making on the purchase for some consumers. To estimate the reduction in consumer time spent shopping because of this option several steps are required.

1) Estimate the number of hours spent shopping each year in relevant convenience stores.

146. It is assumed that each household does a one-hour grocery shop, 52 times a year. As estimated in earlier calculations, 24% of shops will be undertaken in convenience stores and 29% of these convenience stores are assumed to be subject to the small shops intervention. This means 1 million hours of shopping in relevant convenience stores each year.

2) Proportion of products that will gain a unit price from this option.

147. A conservative estimate that 2.1% of products in convenience stores will gain a correct unit price is used.

3) Estimate the value of a shopper's time.

148. The value of a shopper's time is assumed to be £13.87. This is the value of time used in the 2022 Consumer Protection Study.

4) Estimate the proportion of time saved, including adjusting for the proportion of individuals who use unit pricing.

⁵⁹ Shown in 2023 prices.

149. As estimated in earlier calculations, we estimate that 20% of individuals currently use unit pricing whilst shopping and there will be a 3% time saving in shopping time for these individuals.
150. The method for the calculation of the time saved benefit is below:
- Households in Great Britain = 27.5 million*
Grocery shops per year per household = 52
Proportion of total grocery spend in relevant convenience stores = 24% x 29% = 7%
Total number of hours shopping in supermarkets or online = 27.5 million x 52 x 7% = 1 million
Proportion of detriment from products that gain a unit price = 2.1%
Value of a shopper's time = £13.87 per hour
Proportion of individuals who use unit pricing whilst shopping = 20%
Proportion of time saving due to intervention = 3%
Benefit = hours shopping x % shopping on products in scope x cost of time x % using unit prices x value of time saved per shop
Benefit = 1 million x 2.1% x £13.87 x 20% x 3% = £0.2 million

Benefits to business

151. There are no monetised benefits to business identified for option 3. Reducing cases of confusion for consumers should reduce the number of enquiries and complaints that convenience stores need to deal with. This should help save some business costs for these stores.

Cost to business

Familiarisation and set-up cost

152. There is an estimated one-off familiarisation and set-up cost for businesses of **£3.5 million** which will be incurred by UK supermarket and convenience store staff because of amending the legislation concerning small shops.⁶⁰
153. Businesses, specifically supermarkets, and grocery store retailers where relevant, will need to read and understand changes to the PMO legislation. Supermarket retailers will also need to incur some costs centrally in adjusting labelling as required.
154. For each convenience store, one manager is expected to familiarise themselves with the new legislation. It is assumed that all convenience stores will need to read the guidance, including those retailers who will ultimately remain exempt. This cost is estimated at £0.5 million, which is equivalent to £6.39 of reading time per store. Greater evidence is welcome in this area.
155. Regarding set-up costs, the same uncertain assumption for option 2 has been made for option 3 - that for each of the 16 national supermarket chains,⁶¹ central costs totalling £0.2 million will be incurred to adjust labelling on items to include unit prices in all convenience stores. Independent store owners will not have to make any adjustments so will incur no set-up costs.
156. A breakdown of the familiarisation cost methodology is presented below:

Words to read = 2,000⁶²

⁶⁰ Shown in 2023 prices.

⁶¹ https://www.wikiwand.com/en/List_of_supermarket_chains_in_the_United_Kingdom

⁶² Number of words (8000) in CTSI guidance for traders on business practices used as a proxy for the length of reading required following an update. Each change is assumed to carry a familiarisation cost equivalent to 25% of the length of this document.

Reading speed = 100 per minute⁶³

Staff costs per supermarket store = Managerial x 1 at £19.18/hour

Reading time cost per store = $2000/100/60 \times (1 \times £19.18) = £6.39$

Number of convenience stores = 49,268⁶⁴

Number of supermarket chains = 16

Cost per supermarket chain = £0.2 million

Familiarisation cost = Reading time per store x stores

One-off Familiarisation cost = $(£6.39 \times 49,268) + (16 \times £0.25 \text{ million}) = £3.5 \text{ million}$

157. There are not expected to be material menu costs compared with the counterfactual Option 1. As with option 2, costs of changing prices to comply with the PMO are assumed to be incurred as part of the normal running of business and therefore represents no additional cost above the counterfactual.

Cost to public sector

158. There may be additional enforcement costs for Trading Standards in checking that supermarkets are abiding by the legislation adjustments. Conversely, enforcement costs could be reduced, given that firms will find it easier to comply with clearer legislation. Due to this uncertainty, costs to the public sector have not been quantified.

Cost-Benefit analysis

159. Over a 10-year appraisal period from 2023/24 to 2032/33, Option 3 leads to a central estimate of **£0.5 million of net societal benefit**.
160. Option 3 leads to a **net business impact of -£16 million and an EANDCB of £0.4m**. This is made up of a profit loss for firms from reduced consumer spend in supermarkets and online, plus one-off familiarisation costs.

Table 2: Option 3 Impacts

Cost of Option (2019 prices, 2020 present value)			
Total Net Present Social Value	Business Net Present Value	Net direct cost to business per year	BIT Score
0.5	-16	0.4	1.8
Appraisal Period (Years)	10		

Option 4: Clearer requirements on legibility of unit price and selling price

161. For option 4, the PMO would be reformed such that the requirements concerning legible selling and unit prices would be made clearer and require a higher standard.

⁶³ "The usual reading speed for memorizing is under 100 wpm, while the average rate for learning is between 100 and 200"
<https://wordrated.com/reading-speed-statistics/>

⁶⁴ IGD Retail Analysis, 2018

162. The impacts of changes to the selling price could impact product markets outside of the food and drink sector. These wider effects have not been assessed as part of this analysis but will be considered once the policy proposals have been established. The impacts of unit price changes will be concentrated within the food and drinks sector
163. As the details of the intervention for this option are yet to be finalised it has not been possible to monetise the benefits or costs of this option. The potential benefits and costs are assessed qualitatively, with the aim that evidence can be gathered ahead of monetising elements of these intervention options in the future.

Benefit to consumers

164. The legibility of unit prices will impact how many shoppers use unit pricing and how useful the unit pricing is to them. If for example unit prices were explicitly required to be provided in larger font, clearer font, or required to be closer to the product being sold, it would be expected that the use of unit pricing would increase. This should help to reduce the total spend of consumers on their groceries.
165. To estimate this reduction in additional spending, a more defined policy proposal would be required, alongside evidence on the differential impact these changes are likely to have on consumers.
166. It is expected that unclear labelling of prices and unit prices contributes to the consumer detriment consumers incur through misleading prices/information when buying groceries and drinks in supermarkets and online. Improving the legibility of unit prices should therefore help reduce this detriment.
167. It is thought that improved legibility of selling and unit prices would help consumers to reduce the amount of time they spend shopping in supermarkets and online. This would be because they could read and interpret the pricing information more quickly.
168. Greater evidence will be collected to allow future quantification of consumer benefits.

Benefits to business

169. There are no monetised benefits to business identified for option 4. The same non-monetised benefit as option 2 also applies to option 4, where the changes to unit price legislation should improve clarity for businesses and make compliance easier for businesses, potentially reducing costs. Additionally, if consistent unit pricing leads to reduced issues for consumers, this may facilitate more automated business practices for supermarkets in the future, for example more self-checkouts and less assistant staff required. This could lead to efficiencies for business.
170. Reducing cases of confusion for consumers should also reduce the number of enquiries and complaints that supermarkets need to deal with. This should help save some business costs for these supermarkets.

Cost to consumer

171. There are risks with changes to legibility that the unit price display could dominate the selling price display, creating more confusion for consumers and reducing overall price transparency. To mitigate this, any requirements for unit pricing should be well understood within the context of selling price requirements.

Cost to business

172. Similar to the cost identified for Option 2 and Option 3, there is likely to be one-off familiarisation and set up costs for businesses if changes to legibility are made. It is reasonable to consider the cost of familiarisation with the new legislation for option 4 will be similar to option 2 and option 3. The set-up costs, depending on what the legibility proposals are, could be significantly larger than estimated for option 2 and option 3. For example, legibility criteria could require completely new pricing labels for all supermarket produce, which could lead to very significant costs. It is also possible that legibility changes could lead to additional ongoing costs for supermarkets, for example if labels are required to be larger.
173. Greater evidence will be collected concerning familiarisation and setup costs.
174. As with the other options, any reduction in consumer spend due to the intervention will be a transfer between consumers and supermarkets. The direct cost to business is represented by the reduction in profit that arises because of reduced revenues, which is estimated at 2% of any reduction in consumer spend.

Cost to public sector

175. There may be additional enforcement costs for Trading Standards in checking that supermarkets are abiding by the legislation adjustments. This has not been quantified. Conversely, enforcement costs could be reduced, given that firms will find it easier to comply with clearer legislation. Due to this uncertainty, costs to the public sector have not been quantified.

Cost-Benefit analysis

176. No costs or benefits have been monetised for option 4 so no monetised cost-benefit analysis has been conducted.

Option 5: Simplify requirements on the units used for unit pricing

177. The legislation would be reformed such that the units of measurements prescribed for products that require unit pricing to be displayed are more consistent, simpler to understand and more useful for consumers. The intention is to deliver a more consistent use of unit pricing measures for products so businesses can more easily comply, and consumers can more easily compare similar items.
178. As the details of the intervention for this option are yet to be finalised it has not been possible to monetise the benefits or costs of this option. The potential benefits and costs are assessed qualitatively, with the aim that evidence can be gathered ahead of monetising elements of these intervention options in the future.

Benefit to consumers

179. Greater consistency and simplification of unit prices will make the use of unit prices to compare prices of different products easier. In line with unit pricing literature,⁶⁵ the

⁶⁵ For example, Russo, 1977 "The value of Unit Price Information" and Zeitami V A, 1982 "Consumer Response to In-store Price Environments"

greater use of unit pricing would be expected to reduce the spend of consumers on their groceries.

180. To estimate this reduction in additional spending, a more defined policy proposal would be required, alongside evidence on the differential impact these changes are likely to have on consumers.
181. It is expected that inconsistencies in the units of measurement used across product types contributes to consumer detriment experienced, particularly detriment related to misleading prices and information. Improving the consistency of unit prices should therefore help reduce consumer detriment when buying groceries and drinks in supermarkets and online.
182. It is thought that improved consistency of unit prices will help consumers read and interpret pricing information more quickly and therefore help consumers to reduce the amount of time they spend shopping in supermarkets and online.
183. Greater evidence will be collected in this area to allow future quantification of consumer benefits.

Benefits to business

184. There are no monetised benefits to business identified for option 5. The changes to unit price legislation should improve clarity for businesses and make compliance easier for businesses, potentially reducing costs. Additionally, if consistent unit pricing leads to reduced issues for consumers, this may facilitate more automated business practices for supermarkets in the future, for example more self-checkouts and less assistant staff required. This could lead to efficiencies for business.
185. Reducing cases of confusion for consumers should reduce the number of enquiries and complaints that supermarkets need to deal with. This should help save some business costs for these supermarkets.

Cost to consumer

186. There are no expected costs to consumers in providing more consistent, simpler and more useful unit prices.

Cost to business

187. There is likely to be one-off familiarisation and set up costs for businesses if changes to the prescribed units of measurement are made. It is reasonable to consider the cost of familiarisation with the new legislation for option 5 will be similar to option 2 and option 3. The set-up costs, depending on what the unit price change proposals are, could be larger than estimated for option 2 and option 3. For example, the changes could require completely new pricing labels for all supermarket produce, which could lead to larger costs.
188. As with the other options, any reduction in consumer spend due to the intervention will be a transfer between consumers and supermarkets. The direct cost to business is represented by the reduction in profit that arises because of reduced revenues, which is estimated at 2% of any reduction in consumer spend.
189. Reducing cases of confusion for consumers should reduce the number of enquiries and complaints that supermarkets need to deal with. This should help save some business costs for these supermarkets.

Cost to public sector

190. There may be additional enforcement costs for Trading Standards in checking that supermarkets are abiding by the legislation adjustments. This has not been quantified. Conversely, enforcement costs could be reduced, given that firms will find it easier to comply with clearer legislation. Due to this uncertainty, costs to the public sector have not been quantified.

Cost-Benefit analysis

191. No costs or benefits have been monetised for option 5 so no monetised cost-benefit analysis has been conducted.

Option 6: Deposit Return Scheme

192. DEFRA, the Welsh Government and the Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland plan to introduce a Deposit Return Scheme (DRS) applying to England, Northern Ireland and Wales in October 2025. The Scottish Government plans to introduce a similar scheme in Scotland, also in October 2025. In a DRS, consumers are charged an additional deposit fee when they purchase a drink in a single-use container. This deposit is intended to act as an incentive to support recycling as it is redeemed when the consumer returns the empty container to a return point.
193. The PMO requires retailers to indicate the selling price and unit price of specified products. It requires sellers to indicate the selling price including VAT and all other taxes. The decision concerning the PMO is whether the additional deposit fee should be displayed in addition to the selling price and unit price of drinks in single-use containers.
194. The counterfactual is that the DRS fee is treated as a tax. This would mean the final selling price required would include the DRS fee. The product unit price would be calculated based off this selling price.
195. The option considered here is that the DRS fee is shown separately to the final selling price, and that the unit price of the product is calculated off the selling price excluding the DRS fee. This analysis does not attempt to monetise the costs and benefits, though a qualitative summary of the costs and benefits is provided below.

Benefit to consumers

196. Compared with the counterfactual, the benefits identified for consumers from this intervention are:
- Clearer illustration that the DRS fee is refundable if the product is brought back for recycling. This is expected to increase the return rate of single-use containers, saving consumers money and helping reduce littering.
 - Clearer representation of the true cost of the product to consumers. High return rates are expected⁶⁶ (90% return rates have been seen in other countries running similar systems) and therefore it is reasonable for the cost to the consumer to be

⁶⁶ DRS government response,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1130296/DRS_Government_response_Jan_2023.pdf

assumed to be the price excluding the DRS fee. By splitting it out, you avoid the possible distortionary effect of inaccurate pricing.

- Consistent treatment of the DRS across the UK. This will provide consumers and retailers with greater certainty on how the system works.

Benefits to business

197. There are no benefits identified for business for option 6.

Cost to consumer

198. Compared with the counterfactual the main cost identified for consumers is the risk that prices are more confusing. The DRS fee will be an additional number provided on the labelling of these products, including the selling price and unit price. If the total price was also provided (selling price plus DRS fee), a single product could have four prices displayed. This could prove confusing and detrimental to consumers.

Cost to business

199. It is not clear that labelling costs would be higher or lower if the DRS fee was excluded compared with included in the selling and unit price. It is therefore not possible to estimate whether familiarisation and set up costs for businesses will change depending on this option.

200. As with the other options any reduction in consumer spend due to the intervention will be a transfer between consumers and supermarkets. The direct cost to business is represented by the reduction in profit that arises because of reduced revenues, which is estimated at 2% of any reduction in consumer spend.

Cost to public sector

201. There may be additional enforcement costs for Trading Standards in checking that supermarkets are abiding by the legislation adjustments. This has not been quantified. Conversely, enforcement costs could be reduced, given that firms will find it easier to comply with clearer legislation. Due to this uncertainty, costs to the public sector have not been quantified.

Cost-Benefit analysis

202. No costs or benefits have been monetised for option 6 so no monetised cost-benefit analysis has been conducted.

Option 7: Education and awareness programme

203. This option does not implement legislative change but intends to increase the number of consumers who regularly utilise unit price information through the publication of an education and information campaign. This will help consumers make better consumption decisions and will improve market efficiency within the food and drink sector.

204. One experiment undertaken to examine the impact of consumer education on unit price usage over time found shoppers receiving consumer education displayed progressively higher levels of savings across the first six weeks of a study period to a peak of about

17–18%, declining to around 11–13% by the end of the study.⁶⁷ This experiment involved providing consumers with information sheets five separate times and providing personalised and group feedback containing data on their spend compared to others. This is clearly too intense an education programme to be feasible on a large scale.

205. Other studies have found savings rates of 10%⁶⁸ and a lower rate of 1-3% savings⁶⁹.
206. Whilst a reasonable amount of research identifying the benefit of increasing awareness and education concerning unit pricing exists, there remains uncertainty on what constitutes an effective public education campaign. Unit price research tends to rely on self-reporting estimates of usage, or results of simulated shopping studies, which can lack external validity.
207. There has not been substantial development on what an information or education campaign concerning unit prices might look like for consumers. The ideas around what potential education campaign might be run for this option has not been sufficiently developed and it therefore has not been possible to monetise benefits or costs for this option.

Benefit to consumers

208. Improving the awareness and understanding of unit prices amongst the public should increase the use of unit pricing by consumers. This should lead to reducing total consumer spend on groceries, reducing consumer detriment caused by misleading prices and information, and reduce the time consumers spend completing their shopping.

Benefits to business

209. Reducing cases of confusion for consumers should reduce the number of enquiries and complaints that supermarkets need to deal with. This should help save some business costs for these supermarkets.

Cost to consumer

210. An education or awareness campaign might require consumers to spend time learning and understanding about unit prices. The time consumers spend improving their understanding could be used for undertaking an alternative activity. Consumers have in effect given up this alternative activity and therefore the time spent improving their understanding has a corresponding cost.

Cost to business

211. No costs to business have been identified at this time.

Cost to public sector

212. An education of awareness campaign would require spend by government. Without any detail on what this campaign might look like, it has not been possible to quantify the size of these costs.

⁶⁷ Understanding how consumer education impacts shoppers over time: A longitudinal field study of unit price usage. Weeks, Mortimer, Page, 2016, <https://www.sciencedirect.com/science/article/abs/pii/S0969698916301394>

⁶⁸ Nordic council of Ministers, 1994

⁶⁹ Russo, 1977 "The value of Unit Price Information"

Cost-Benefit analysis

213. No costs or benefits have been monetised for option 6 so no monetised cost-benefit analysis has been conducted.

Option 8: Do everything: Amend legislation to deliver options 1-6 and run an education campaign

214. This option considers the cumulative impact of undertaking the interventions described in options 2 to 7. There is no duplication of counting costs or benefits across options 2 and 3, meaning it is appropriate to sum the monetised impacts of options 2 and 3.

Benefit to consumers

215. Benefits have only been monetised for option 2, covering promotions online and in supermarkets, and option 3, amending the small shops exemption so that convenience stores owned by national chains will be required to provide unit pricing. This option will include all the non-monetised benefits described in options 2-7.
216. The total annual expected reduction of consumer spend on groceries because of option 2 and option 3 is estimated to be approximately **£29 million**.⁷⁰
217. The do everything option will help consumers to reduce the consumer detriment they incur through misleading prices/information when buying groceries and drinks. The total annual expected reduction in net monetised detriment because of option 2 and option 3 is estimated to be approximately **£0.9 million**.⁷¹
218. The total annual expected reduction of time spent shopping because of option 2 and option 3 is estimated to be approximately **£12 million**.⁷²

Benefits to business

219. There are no monetised benefits to business identified for option 8. Non monetised benefits include:
- Improved clarity for businesses in how they should display unit prices
 - More automated business practices for supermarkets in the future
 - Reducing cases of confusion for consumers. This should reduce the number of enquiries and complaints that supermarkets need to deal with, thereby reducing business costs for these supermarkets.

Cost to consumer

220. This option will include all the non-monetised consumer costs described in options 2-7. These include:
- Potential increases in time taken to shop for groceries for those who start using unit prices

⁷⁰ Shown in 2023 prices.

⁷¹ Shown in 2023 prices.

⁷² Shown in 2023 prices.

- The risk that legibility changes that risk causing the unit price display to dominate the selling price display, creating more confusion for consumers and reducing overall price transparency.
- The risk that the addition of a DRS fee causing confusion and reducing overall price transparency.
- Potentially some delays at checkouts if consumers are confused about the DRS fee.
- An education or awareness campaign might require consumers to spend time learning and understanding about unit prices.
- An education or awareness campaign might require consumers to spend time learning and understanding about unit prices

Cost to business

221. There is a total estimated one-off familiarisation and set-up cost for businesses of **£6.8 million** which will be incurred by UK supermarket staff as a result of amending PMO legislation.⁷³
222. The reduction in additional consumer spend from option 2 and option 3 will mean a reduced revenue for supermarkets of **£28.9 million**.⁷⁴ A 2% profit margin is assumed, and this is taken to represent the cost to business for any reduction in revenue through reducing additional consumer spend. An **annual ongoing cost to business of £0.6 million from reducing consumer spend is estimated**.⁷⁵
223. There are not expected to be material menu costs compared with the counterfactual Option 1.

Cost to public sector

224. There may be additional enforcement costs for Trading Standards in checking that supermarkets are abiding by the legislation adjustments. This has not been quantified. Conversely, enforcement costs could be reduced, given that firms will find it easier to comply with clearer legislation. Due to this uncertainty, costs to the public sector have not been quantified.
225. There may be additional enforcement costs for Trading Standards in checking that supermarkets are abiding by the legislation adjustments. This has not been quantified.

Cost-Benefit analysis

226. Over a 10-year appraisal period from 2023/24 to 2032/33, Option 8 leads to a central estimate of **£64 million of net societal benefit**. Option 8 leads to a **net business impact of -£167 million and an EANDCB of £1.4m**.

Table 3: Option 8 Impacts

⁷³ Shown in 2023 prices.

⁷⁴ Shown in 2023 prices.

⁷⁵ Shown in 2023 prices.

Cost of Option (2019 prices, 2020 present value)			
Total Net Present Social Value	Business Net Present Value	Net direct cost to business per year	BIT Score
64.3	-167	1.4	6.8
Appraisal Period (Years)		10	

Direct costs and benefits to business calculations

227. Option 8 has been presented as the preferred option in this analysis. However, greater evidence is required, and greater certainty around the various policy option, is required by a final preferred option can be determined.

Sensitivity Analysis

228. There remains uncertainties in some of the inputs for the cost-benefit analysis undertaken. Rather than formal low and high ranges being provided for each of the options monetised, some sensitivity tests have been performed to test the sensitivity of changing assumptions to the NPSV results.

229. The cost estimates are uncertain. These will be updated following responses to the consultation and attached Impact Assessment questions in annex B. No sensitivity on the costs has been undertaken at this stage.

230. Some sensitivity analysis for the monetised benefits of option 8 has been undertaken. The impact on total societal benefits is presented in the table below. Option 8 total benefits is £231 million over the 10-year appraisal period and is provided in the below table as a reference.

Table 4: Sensitivity tests

		NPSV Total Benefits (£m)
Central case total benefits	The central case total benefits for option 8 presented in this Impact Assessment	£231

Reduced consumer spend benefit

Sensitivity test 1	Rather than estimating 1% of promotion overspend saved, we estimate 1% of total promotion spend is saved.	£948
Sensitivity test 2	The proportion of promotional products that already have a unit price displayed is 10% rather than 50%	£113
Sensitivity test 3	The proportion of promotional products that already have a unit price displayed is 90% rather than 50%	£349
Sensitivity test 4	The proportion of products in relevant convenience stores that will gain a unit price is 10% rather than 2.1%	£284
Sensitivity test 5	What if an additional 1% of all consumer spend in supermarkets and online is reduced because of the non-monetised interventions?	£7,009

The reduced consumer spend benefit is a transfer and has no overall impact on the NPSV. It is a benefit to consumers through reduced spend, and a loss to businesses through reduced revenues

Reducing consumer detriment benefit

Sensitivity test 6	With respect to the consumer detriment benefit achieved by adding unit prices to promotions, what if 58% of consumers use unit pricing rather than 20%?	£237
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Time saving benefit

Sensitivity test 7	With respect to the time saving benefit achieved by adding unit prices to promotions, what if 58% of consumers use unit pricing rather than 20%?	£350
Sensitivity test 8	With respect to the time saving benefit achieved by adding unit prices to promotions, what if 58% of consumers use unit pricing rather than 20% and the time saving is 6% rather than 3%?	£517

231. The sensitivity tests show that the monetised benefits are sensitive to the input assumptions used. In particular, the potential benefits of the intervention options not monetised could be very significant, with an overall reduction in consumer spend across supermarkets and online representing over £7 billion of spend.

Risks and assumptions

232. Estimates and data sources have been referenced throughout the analysis. A list of the key assumptions, estimates and proxies is shown below

Assumption	Description	Link
50% of promotions already display unit prices	Evidence from the CMA unit pricing research suggest a high proportion of price reduction offers already include unit prices. For multibuy offers, the pre-reduction unit price is generally provided but the post-reduction unit price is not. Mixed results were found on the provision of unit prices for products discounted through a loyalty scheme. From this evidence it is assumed that 50% of items on a price reduction, multi buy or loyalty scheme promotion already have a unit priced displayed.	https://www.gov.uk/government/publications/unit-pricing
Unit prices are possible for 75% of promotions	<p>The most common promotional offers found in supermarkets and online are:</p> <ol style="list-style-type: none"> 1. Price reduction where the regular and discounted price are both shown. 2. Multibuy offers 3. Loyalty scheme discounts, which tend to follow a price reduction design 4. Mix and match style offers. For example, "buy any 3 for £5" <p>Unit pricing is expected to be possible for all except the mix and match style offers. It is assumed that all four types of discounts occur equally and therefore 75% of promotional products are compatible with unit pricing.</p>	
Unit price provision reduces consumer spend by 1%	1% proportion of additional promotional product spend that would be saved by the inclusion of unit pricing. This is of all the spend on products that would gain a unit price via promotion changes. Source id 1977 study that found the introduction of unit prices led to a 1% fall in spend.	https://www.jstor.org/stable/3150469
20% of people use unit pricing	It is self-reported that 58% people regularly use unit pricing, but this is thought to be an overestimate. A study measured overreporting of having seen unit pricing, which is used to estimate a 0.35 overreporting factor, bringing down the estimated true usage rate of 20%	https://theconversation.com/unit-pricing-is-smart-shopping-practice-but-do-consumers-care-8414
50% reduction in detriment from unit pricing	The situation of a product on promotion that is missing a unit price, or an instance where a unit price in a small shop is provided but incorrect, are instances that are likely to be responsible for misleading prices. Uncertain assumption.	
1 manager per store will read guidance	Assume 1 managers per store will read the necessary guidance	
Proxy for length of PMO guidance	Number of words (8000) in CTSI guidance for traders on business practices used as a proxy for the length of reading required following an update. Each change is assumed to carry a familiarisation cost equivalent to 25% of the length of this document	https://www.businesscompanion.info/sites/default/files/Guidance-for-Traders-on-Pricing-Practices-Apr-2018.pdf
Consumer detriment benefit	For consumer detriment, to avoid double counting with the benefit of unwanted consumer spend, the cost of time detriment is the only detriment used. The remaining factors that make up the net monetised detriment figure are excluded.	
Number of shops	Assume each household does 1 shop per week, which takes 1 hour	
3% time saved shopping benefit	31% time saving provided by study. 90% optimism bias for this time saving benefit is applied.	10-1108_EJM-03-2015-0122.pdf

Additional Data sources

Additional Data used	Data Source
Consumer Protection Study Intel, via CMA report	https://www.gov.uk/government/publications/consumer-protection-study-2022
A research project for Public Health England conducted by Kantar Worldpanel UK, 2020	Sugar Reduction analysis of price promotions on the household purchases of food and drinks high in sugar 4 (1).pdf
Article on profitability of supermarkets	https://marketingfoodonline.com/blogs/news/what-is-a-good-profit-margin-for-grocery-store#:~:text=In%20general%2C%20the%20profit%20margin,in%20a%20lot%20of%20places
UK grocery stores table from 2018 showing breakdown of store types across the UK	UK-grocery-stores-table.pdf
SCOTSS National Fair Trading Group – Supermarket & Convenience Shops Pricing Project 2022-23	http://www.scotss.org/press/pricing.pdf

233. There remains gaps in the evidence base. Work is underway to better understand perceptions and understanding of consumers, in collaboration with the CMA. The consultation aims to further build the evidence base.
234. There are additional requests for evidence included within this consultation impact assessment. These have been collected and are provided in annex B.

Impact on small and micro businesses

235. The original PMO exempts convenience stores with a relevant floorspace of 280 square meters or less from having to abide by certain elements of the unit pricing requirement of the PMO regulation.
236. Option 2 considers requiring promotional items to provide unit pricing following the price reduction. Currently, products sold from bulk by smaller stores are required to provide unit pricing. The policy on whether products sold from bulk and on promotion would be required to provide the new unit price under option 2 is still being explored. Currently the analysis does not consider the costs and benefits of this impact. If in scope, there would be some costs for smaller stores in ensuring the 'post promotion' unit price is also provided.
237. Option 3 considers removing this exemption for small shops owned and managed by larger national chains. Small and micro business owners will continue to be exempted from the unit pricing requirement of the PMO regulations.
238. The only impact on small and micro business is estimated to be a negligible amount of familiarisation costs with the new regulations, for each convenience store to confirm they remain exempted from the unit pricing and the new requirements of the PMO.

239. Further consideration will be given to online-only retailers that are small and micro businesses, to ensure any changes to regulation concerning selling and unit prices does not place disproportionate burdens on these businesses.

Wider impacts

Environmental impact

240. A key benefit of the DRS fee is to reduce waste and benefit the environment. Allowing a DRS fee to be displayed separately from the selling and unit price of a product may increase recycling return rates of single-use containers. In this respect, the DRS element of the PMO intervention is likely to have a positive environmental impact.
241. There are not expected to be material differential impacts to the environment from the remaining intervention options.
242. The unit price intervention is expected to improve consumers' ability to respond to product prices in the food and drinks sector. This should improve the efficiency of these markets and hence increase competition within the sector.

Regional Impacts

243. The measures impact supermarket and online retailers, and in the case of reviewing the small shops exemption, non-independent convenience stores. Larger cities tend to have relatively good access to convenience stores and more centrally located, but smaller, supermarkets. Less urban areas are more likely to have larger supermarkets but slightly further away, with smaller convenience stores offering a more local shopping option.⁷⁶
244. Improvements to unit pricing in supermarkets vs convenience stores may have some differential impacts across different localities in the UK. For example, small towns or villages that only have access to non-independent convenience stores would achieve a disproportionate benefit if unit pricing in these stores was improved.

Trade implications

245. No material impacts on trade have been identified.

Monitoring and Evaluation

246. The plan for monitoring and evaluation will be developed as policy option(s) are determined. This consultation stage IA sets out early thinking around the potential impacts of the options.
247. The reforms proposed in this impact assessment are expected to be reviewed following implementation to assess whether they have achieved the stated objectives, and to inform future policy making.

⁷⁶ <https://www.expatica.com/uk/living/household/supermarkets-in-the-uk-465489/>

248. Given the proposals are at consultation stage and subject to change, a detailed monitoring and evaluation (M&E) plan has not been developed yet. Following feedback received during the consultation and further stakeholder engagement, a M&E plan will be designed when the proposals are more developed
249. The M&E plan will include key evaluation questions which will inform the extent to which the provisions achieved the intended objectives. Fit for purpose benefits indicators will also be developed upon the proposals being finalised which will inform the design of the planned M&E. A detailed M&E plan will be included in the final stage impact assessment.

Annex

A) Equalities Impact Assessment

250. Household expenditure on food and non-alcoholic drinks as a proportion of total household expenditure is higher in lower income groups. The lowest earning decile of households spends 14.0% of their expenditure on food and non-alcoholic drinks, whilst the highest decile spend 9.1%.⁷⁷
251. Consideration should also be given to the demographic breakdown for individuals using smaller convenience stores. The rationale for intervention on price transparency is to ease the burden of higher prices on all consumers, but particularly with lower income groups. These groups may be more likely to use smaller convenience stores than the rest of the population, and consequently the addition of unit prices in these stores could assist those on lower incomes more.⁷⁸
252. Evidence from previous surveys suggests that unit pricing is more often used in decision making by higher socio-economic groups. Given the rationale for intervention is to ease the burden particularly on low income groups, efforts should be made, for example in any education campaign, to find ways to encourage lower socio-economic groups to use unit pricing.
253. Improving the legibility of prices and unit prices could improve equality outcomes for certain groups that may struggle to read unclear unit pricing and unclear selling prices, for example the visually impaired.

⁷⁷ ONS breakdown of spend by decile, <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/april2021tomarch2022>

⁷⁸ "They [those who use convenience stores as a main shopping location] are more likely to be from lower income groups" Change4Life Convenience Stores Evaluation Report, 2010, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/215984/dh_120801.pdf

B) Questions

1. For supermarket stores, please describe and where possible quantify the costs, both in store and online, incurred if
 - a. Unit prices became a requirement on promotional products
 - b. All shelf product pricing was required to be printed a font size larger than it is currently
2. Supermarkets regularly reprice products in stores. If shelf labelling requires replacing, this could be done as part of the 'business as usual' product repricing practices as long as the period in which prices can be updated is sufficient i.e., 12 months. To what extent is this true and would therefore mean no additional staff costs to supermarkets in changing shelf labelling?
3. It can sometimes not be possible to provide a unit price for a products' new 'on promotion' price. For example, a meal deal. In supermarket stores, roughly what proportion of products on promotion would it not be possible to provide a unit price for?
4. Convenience stores owned by supermarket chains, that are smaller than 280 square metres of relevant selling area, are currently exempted from some unit pricing requirements under the PMO. Please can you describe the benefits, if any, that this exemption provides to supermarket chains?
5. The PMO currently requires products sold from bulk to have a unit price displayed. This includes stores smaller than 280 square metres. If smaller stores were required to provide the new unit price following a promotional offer on products sold from bulk, what impact would this have on business costs?