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94th Congress
2d Session

COMMITTEE PRINT

DOCUMENTS

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SURVEY OF RETAIL FOOD INDUSTRY PRICING PRACTICES

together with

SUMMARY RESULTS OF CONSUMER SHOPPING BEHAVIOR PRICING STUDY

PRINTED AT THE DIRECTION OF

HON. WARREN G. MAGNUSON, Chairman

FOR THE USE OF THE

COMMITTEE ON COMMERCE
UNITED STATES SENATE

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LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON COMMERCE,
May 26, 1976.

DEAR COLLEAGUE: In December, 1974, the Consumer Subcommittee held a symposium to explore the advent of automated check-out systems in retail food establishments. These systems, make use of optical scanner readable product identification symbols known as Universal Product Code symbols. The symposium was a free and far ranging discussion of the costs, its impact on consumers, and the impact on the retail community of these new systems. Participating in the symposium were spokespersons for the retail food industry, the Federal Trade Commission, consumers, and labor. [Commerce Committee Serial No. 93–114, Symposium on Universal Product Coding]

In March, 1975, 19 members of the Senate introduced S. 997, the Price Disclosure Act, which would require the retention of item pricing and the establishment of a national system of unit pricing. Similar legislation was introduced in the House of Representatives.

In November, 1975, the Subcommittee conducted hearings on S. 997, at which time virtually all who requested the opportunity to testify were heard. Of particular interest was the statement by the retail food industry that they had underway a research proposal designed to measure the need of the consumer for price information, and the effect of the absence of price information on consumer awareness. The witnesses stated that the study would be concluded by the end of March 1976. [Commerce Committee Serial No. 94–51, Price Disclosure Act]

On March 23, 1976, the study, conducted by researchers at Michigan State University and the University of Vermont, for the Ad Hoc Committee of the Grocery Industry for the Development of the Universal Product Code, was released. This study, which appears beginning at page 37, of this Committee Print, shows that there are significant negative impacts on the consumer concurrent with the removal of individual item pricing on food products. Some of the conclusions can be paraphrased as follows:

1. Conventional store shoppers remember the correct price more frequently than UPC-Scanner Prices Off store shoppers.
2. There is no difference in the use of unit prices between UPC-Scanner Prices Off and conventional stores. (Thus the suggestion that eliminating item pricing would increase unit pricing utilization is not validated.)
3. There are significant increased difficulties in "seeing" prices in UPC-Scanner Prices Off stores than in conventional stores.
4. There are significantly fewer price comparisons made in the UPC-Scanner Prices Off stores than in conventional stores.
5. There is significantly increased price awareness in conventional stores than in UPC-Scanner Prices Off stores.

6. There were significantly larger errors in consumer price retention in UPC-Scanner Prices Off stores than in conventional stores. (In other words, even where the shopper did not remember the exact price, his guess was closer to the exact price in the conventional store than in the UPC Scanner Prices Off store.)

7. Other than the time spent at check-out, there were no differences in the time spent shopping in the two different types of stores. (In effect, the elimination of item pricing, or the presence of item pricing, makes for no time differential until check out, and since many scanner stores retain prices, the presence of prices in a scanner store would not slow down the process in comparison to a scanner store without prices.)

8. There is greater home price awareness for shoppers in conventional stores than in UPC-Scanner Prices Off stores.

The only conclusion which favored scanner stores was one which has been widely acknowledged by all sides to this issue, the UPC-Scanner Prices Off shoppers were more satisfied with the checkout speed than their conventional store counterparts. It should be noted, however, that automated checkout and the speed advantages of the optical scanning, automated checkout system are not precluded by the retention of individual item pricing.

Following the release of the study, the Public Policy Subcommittee of the industry's Ad Hoc Committee issued a statement recommending that all stores retain traditional methods of item pricing.

In order to gauge the acceptability to the industry of this recommendation, on March 25, 1976, I wrote to 94 of the largest food chains in the United States. Of the 48 responses received to date, 24 appear to indicate that they will retain item pricing indefinitely, and 17 appear to indicate that they will retain item pricing during "testing". The "testing" period ranges from 1 year for Safeway to indefinite time periods for many of the other chains. Those who will retain item pricing during testing further indicate that decisions with respect to retaining item pricing at the conclusion of the test period will depend on their interpretation of consumer acceptance of alternative methods of price information.

Of the remaining seven responses, Lucky Stores, Inc., and Winn-Dixie Stores, Inc. appear to indicate that they would proceed with automated checkout equipment without item pricing. The remaining five responses are either from stores which have no intention of making use of automated checkout equipment or are undecided. Additionally, some respondents from all classes indicated that they would proceed with automated checkout systems without item pricing in the newer "warehouse" type stores in which products are displayed in case lots.

In order that there be no confusion with respect to my interpretation of the views of each of the respondents, the committee print contains the responses from each firm. Additionally, contained herein are the text of my letter to the 94 companies, the list of chains to which the letter was sent, the industry's public policy subcommittee recommendation, the Michigan State-University of Vermont study, and a staff working draft of the Price Disclosure Act.

The contents of this document have neither been approved, disapproved, nor considered by the Committee on Commerce.

FRANK E. MOSS,
Chairman, Consumer Subcommittee.

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QUESTIONNAIRE SENT TO RETAILERS

UNITED STATES SENATE,
Washington, D.C., March 28, 1976.

DEAR ———: As you may know, the Public Policy Subcommittee of the Ad Hoc Committee on UPC has issued a statement, based upon the conclusions of research conducted at Michigan State University, recommending that persons using automated check-out equipment, "follow the same traditional approach to individual item marking as used in conventional supermarkets."

The Senate Committee on Commerce currently has before it legislation which would require individual item pricing for those items which have been traditionally price marked. In order to determine whether or not we should continue with our consideration of this legislation, I would like to pose the following questions.

1. (a) Do you currently make use of, or do you plan to use, automated check out systems? (b) If yes, do you plan to retain item pricing generally throughout your stores? (c) Are there any limitations on the types of stores in which you plan to retain item pricing? If so, please describe.

2. If you plan to retain item pricing generally throughout your store, on what types of products, if any do you plan not to retain item pricing?

3. If you plan to retain item pricing for only a limited period of time, when do you plan to eliminate item pricing?

In order to have complete information from which to work, I would appreciate your supplying responses to these questions by Monday, April 5, 1976. If you have any questions, please feel free to call the Commerce Committee staff at (202) 224–9321. Your cooperation and assistance are appreciated.

Sincerely yours,

FRANK E. MOSS,
Chairman, Subcommittee for Consumers.

RESPONSES OF THE RETAILERS

SAFEWAY STORES, INC.,
Oakland, Calif., April 1, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: This is to acknowledge your letter to Mr. Quentin Reynolds about the Public Policy Subcommittee on UPC and its statement regarding automated checkout equipment.

Safeway Stores, Incorporated, does not at this time have any stores with automated checkout equipment. We are arranging a test in one store in Carson City, Nevada, to run for approximately one year, which will implement both item pricing and non-item pricing during the experiment.

The plan is to test for the first six months with item pricing followed by the second six months with item pricing removed. Certain items in the Carson City test store are not priced, nor will they be during the test period. They are strained and junior baby foods (except meat items), all individual canned soda pop, bulk produce, and candy and individual candy bars, gums and lifesaver-type items. We have arranged for a consumer research panel and other resource groups, including members of the State government and the community, to evaluate both systems.

In addition to the above, we are sharing this information with the Joint Legislative Budget Committee, State of California, which has been directed by the Legislature to study over a period of one year the merits of the two systems.

I hope this is helpful to you in terms of the questions posed in your letter. Should you need additional information, please feel free to contact either this office or our Washington Representative, Mr. John L. Prehn, Vice President, Safeway Stores, Incorporated, 1730 M Street, N.W., Washington, D.C., 20036, telephone, 659–1997.

Sincerely yours,

C. P. POND, *Vice President.*

THE GREAT ATLANTIC & PACIFIC TEA CO., INC.,
Montvale, N.J., April 2, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR MOSS: Mr. Gentry has asked that I answer your letter of March 25th.

A&P operates today about 2,100 stores in 31 states of the union. Today in no store do we use scanner equipped checkout systems. It is our

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intention to experiment with scanner equipped checkouts in one store, and we expect that this store will be so equipped by late spring or early summer.

Even before the policy statement on item pricing was released by the Public Policy Subcommittee of the National Association of Food Chains, we had decided to continue to follow in the scanner equipped store our traditional approach to individual item markings. The Subcommittee's recommendation and the research report issued by Messrs. Allen, Harrell and Hutt has reaffirmed our conclusion. We never contemplated any change from our traditional price marking policy in other A&P stores.

We believe that the above are answers to the first two questions you posed. Please permit us to editorialize a bit in answering your third question.

Today, only a small number (about 50) of approximately 31,000 supermarkets in our country have scanner equipped checkouts. The cry for item pricing legislation has been, to us, based not upon facts demanding change but upon an anticipated event.

We are not planning any change in our traditional item marking policies either this year or next. The question of "when do you plan to eliminate item pricing" is one which we cannot and should not answer.

We appreciate your interest in our industry. We hope that our answers to your questions convince you that item pricing legislation is not necessary and quite possibly counterproductive.

Cordially,

ROGER L. GALASSINI,
Vice President, Public Affairs.

THE KROGER CO.,
Cincinnati, Ohio, April 2, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Your letter of March 26 addressed to Mr. Robert O. Aders has been referred to me. Mr. Aders is no longer with the Kroger Co. The following information is responsive to your questions.

1. (a) We are operating automated checkout stands in two stores, one in Indianapolis, Indiana and the other in Middletown, Ohio.

(b) We have no plans to discontinue item pricing in these stores.

(c) In our marketing areas from time to time, to satisfy certain categories of consumer demands, competitive stores establish low price structures justified by lower service levels to the consumer. In some of these stores, the items are not priced and the cost savings thereof is passed on to the consumer. The current version of stores of this type, which are growing in consumer popularity, are the so called "warehouse stores." Kroger operates one such warehouse store at the present time, and there is only limited item pricing in this store. This store does not have automated checkouts. There may be other situations and types of stores in which we would remove item prices in

order to appeal to the group of consumers who would prefer to pay lower prices and not have item pricing.

We also believe that it is in the best interest of our customers for our company to work constantly to develop better and improved systems of conveying price information to our customers. Certainly, experimentation with systems of this type should not forever preclude the possibility of a better system that is not completely dependent on item pricing. We would intend on a limited experimental basis to work with our customers and consumer groups in improving these systems.

2. Not all items in grocery stores throughout the country carry item prices. The extent to which prices are omitted from items and the types of products on which they are omitted varies widely throughout our trade area.

Some fruits and vegetables, mass display items, small packages, and features of the week are (depending on the locality, customer acceptance, and trade practices in the area) typical products which are not item priced in certain stores. Omission of item pricing on the above commodities has been the customary practice for years in the industry. Furthermore, the warehouse types of stores mentioned in 1(c) above do not item price. Generally speaking, our plans, with or without automated checkouts, are to follow these traditional customs and practices.

3. We have no plans to eliminate item pricing, except to the extent indicated in our response to 1 and 2 above.

Very truly yours,

JOHN L. STRUBBE,
Vice President.

AMERICAN STORES CO.,
Wilmington, Del., April 7, 1976.

Senator FRANK E. MOSS,
Washington, D.C.

In response to your recent letter, none of the operating subsidiaries of American Stores Co. is currently utilizing a checkout system employing scanning. Additionally, we have no plans in the foreseeable future for testing an automated system involving scanning whereby our customary item pricing practices will be discontinued.

I strongly suggest that, at this time, Federal legislation mandating item pricing in supermarkets is both unnecessary and premature and therefore unwise.

JOHN R. PARK,
President and Chairman of the Board.

LUCKY STORES, INC.,
Dublin, Calif., March 31, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: This letter is in response to yours of March 26.

We have read some of the material from the research work done by Michigan State University and have substantial reservations about

the conclusions. The emphasis of that study seems to have been on "price awareness" of the customer—how precise is the customer's memory of specific item prices. Our customers at our stores with scanning checkout equipment have been enthusiastic about the speed and accuracy of the checkout and the detailed register tape that the equipment produces for the customer. Very few indeed have questioned the absence of price markings from the individual packages; apparently they have found that the clear shelf signs and the more informative register tapes tell them what they need to know. Additionally, we are convinced of our shelf price accuracy and guarantee the customer that the price charged will be the price indicated on the shelf tag. We have had one store operating with scanning, and without item price marking, for over a year. During that year the patronage of that store has increased significantly—at a rate greater than the rate of increase at our comparable neighboring stores that have unit price marking. We think judgment of the marketplace to be more persuasive than the pollsters' "price awareness."

In response to your specific questions we offer the following:

1–A. We presently operate four stores which use the optical scanning checkout equipment. We have a fifth one scheduled to open this summer. At this time, we have no further plans for more scanning installations. Such equipment requires huge capital investment. I seriously doubt that such investments can be justified if item price marking is required.

1–B. We eliminated item price marking in an existing California store when the scanning equipment was installed there in January 1975. As a result of the discriminatory legislation passed in California last year, we will begin item price marking again on Aprl 1, 1976. The other stores are new "warehouse" type units in Texas, designed with scanning specifically in mind, and no price marking has been done since they were opened in November 1975. The lack of price marking in these stores is an integral and controlling aspect of our ability to offer very low retail prices and we must follow this practice if we are to continue to offer the exceptional values these stores are designed to afford our customers.

1–C. Our limitation on stores without price marking has been based on the unique character of two types of our stores. One is a food department within one of our California Department Stores which carries a broad selection of food items, but virtually no nonfood items.

We have 58 such stores in 6 States. The other stores are of a newly designed warehouse type, conceived as the most efficient retail food outlet available through productivity. We have three such stores and a fourth is under construction (all in Texas).

2. and 3. Within the foreseeable future, we do not plan scanning installations in our conventional supermarkets and we expect to follow our established price marking program for those stores.

Based on the success of our scanning stores, serving thousands of customers each week, we believe that consumers are willing to forego item price marking in exchange for the benefits of scanning.

More importantly, we believe that the customer is entitled to a choice between heightened "price awareness" in some competitor's store and the better values and better service we can generate in our store through the higher productivity that comes from scanning checkouts and the

elimination of price markings on packages. We urge that there be no legislation denying the customer that choice.

Sincerely,

WAYNE H. FISHER,
Chairman of the Board.

JEWEL COMPANIES, INC.,
Chicago, Ill., April 2, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: In the absence of our chairman, Donald S. Perkins, I am submitting the response of Jewel Companies, Inc. to the questions stated in your letter of March 26, 1976.

Taking your questions in the order posed in your letter, our replies are as follows:

1(a) We do not currently make use of scanning check-out systems. Late in 1976 we plan to conduct tests in one or two stores to determine whether such systems would be in the best interest of the store and of its customers.

1(b) In connection with the testing of scanning systems, we may at some point experiment with different degrees of item pricing and varying methods of presenting price information to insure that the system is not disadvantageous to the consumer in evaluating prices.

1(c) Since our initial experiments with scanning check-out systems have not begun, we have not defined any limitations on the types of stores in which item pricing might be retained in whole or in part.

2. If item pricing were generally retained throughout our stores, we would expect to continue our present policy of not having item pricing on bulk fresh produce and certain items which sell at especially high volumes. No decision has been made on this question, however.

3. As described above, we have arrived at no conclusion concerning the retention or elimination of item pricing or as to periods of time for any changes in our present policy.

We strongly believe that legislation requiring individual item pricing would discourage the responsible testing and experimentation which will ultimately lead to those systems most advantageous to the consumer.

Yours very truly,

LAWRENCE HOWE,
Executive Vice President and General Counsel.

WINN-DIXIE STORES, INC.,
Jacksonville, Fla., March 30, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR FRANK: Thanks for giving me an opportunity to comment on the committee's work re: checkout equipment.

We are buying the cash registers that would be compatible to the computer involved in scanning and the use of the Universal Product

Code. It has other control characteristics, such as being able to monitor a cashier where she checks a person without charging and some other areas where we have substantial troubles. We are not carrying the torch for the Universal Product Code and automated checkout unless item pricing can be eliminated. We are only interested in lowering the cost of doing business, so that we can keep our prices reasonable.

In order to put in this complete system, which would cost somewhere between $90,000 and $125,000 extra per supermarket, item pricing and other labor costs must be eliminated to justify this expenditure. We would not put this system in any supermarket that does any less than $70,000 or $80,000 per week, so there would be some stores not covered. The automated check out system would help us by eliminating the errors made by our 40,000 employees in hand pricing approximately 8,000 items in a store.

I think it might be years before the Universal Product Code is on all items and there still would be some pricemarked items. In order to overcome the disadvantages of not having each item pricemarked, we are developing a very clear shelf sign with full information—cost per ounce, cost per can, etc.—so that the customer can shop our stores satisfactorily.

We are a struggle industry, handling great masses of merchandise on the lowest margins in the world. Up to $50.00, the American housewife is the smartest money handler in the world. Please don't load us down with more cost adding regulation. If we do this pricing wrong, someone in our industry will do it right and the housewife will give him the business. It is as simple as that, competition is the answer.

Sincerely,

JAMES E. DAVIS,
Chairman, Board of Directors.

FOOD FAIR STORES, INC.,
Philadelphia, Pa., April 2, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Mr. Myer B. Marcus has asked me to reply to your inquiry dated March 29, 1976 concerning individual item price marking in connection with installation of scanner checkouts.

Since you requested responses by Monday, April 5, 1976, I phoned in our reply today to Edward Merlis of the Commerce Committee staff. This letter is by way of confirmation.

Our reply follows in the order your questions were posed:

1. (a) We are currently preparing to install a scanner checkout in one supermarket in the Philadelphia area. Target date is late July, 1976.

(b) Yes.

(c) None.

2. Those products which have customarily not been item priced, such as eggs, produce, some beverages and some advertised specials.

3. No plans.

We hope that the foregoing will be of assistance to the Commerce Committee in deciding what to do with the proposed item pricing legislation.

In view of the positive reaction to the recent statement on price marking by the U.P.C. public policy subcommittee (including your own comments in the March 24 Congressional Record), we trust that the proposed item pricing legislation will be tabled.

Sincerely yours,

BEN FELSTEN, *Corporate Economist.*

SUPERMARKETS GENERAL CORP.,
Woodbridge, N.J., April 2, 1976.

Hon. FRANK E. MOSS,
U.S. Senate, Subcommittee for Consumers,
Senate Committee on Commerce, Washington, D.C.

DEAR SENATOR MOSS: Thank you for giving us the opportunity to express our policy regarding the use of the automated checkout scanner and individual item pricing. In response to your questions:

1. (a) We currently have two stores operating with scanner systems. The first scanner was installed in October 1974 in South Plainfield, New Jersey; and the second in November 1975 in Union, New Jersey.

(b) Since the installation of the scanners we have continued to price mark the same individual items in the scanner stores that we price mark in our other 101 supermarkets.

(c) All of our stores are of the "super store" prototype, thus we have no plans to develop or implement an alternative item pricing procedure.

2. The only items that are not individually price marked in our scanner stores are those that are also not price marked in our conventional stores, i.e., end aisle displays, milk, eggs, loose produce, baby foods, gelatin desserts, loose cans of private brand soda, and some advertised specials.

3. We have no plans to eliminate item pricing.

Thank you again for giving us this opportunity to express our item pricing policy with regard to scanner installations.

Sincerely,

JOHN O. WHITNEY,
President, Pathmark Division.

NATIONAL TEA CO.,
Rosemont, Ill., April 1, 1976.

Senator FRANK MOSS,
Chairman, U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Thank you for your letter requesting information on National Tea's item price marking policy.

In response to your questions:

1a. National is currently testing automated checkout equipment with scanners in only one of our 450 stores.

1b. We have continued our traditional price marketing pattern throughout the store. This is an integral part of the test so that we can carefully measure other benefits offered by this system.

1c. No, we have no limitations on the types of our store in which we will retain item pricing.

2. Item pricing is not used on bulk produce, fast moving small items such as individual packages of candy, gum, cigarettes, baby food, flavored gelatins and powdered drinks.

3. We have no intention at this time to eliminate item pricing. This decision is highly dependent on the ability to provide consumers with pricing information which they need and desire in order to be efficient shoppers. At the present we believe there is no adequate alternative to individual item pricing.

National Tea supports the statement on item pricing as issued by the Public Policy Subcommittee of the Ad Hoc Committee on U.P.C. We believe that conventional price marking should continue for the present and that experimenation with alternative methods of price information should be further explored with consumers before any action is taken.

Sincerely,

WILLIAM F. WALKER,
Assistant Vice-President, Corporate Planning.

THE STOP & SHOP COMPANIES, INC.,
Boston, Mass., April 15, 1976.

Senator FRANK E. MOSS,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Thank you for the opportunity to set forth Stop & Shop's position with regard to use of Universal Product Code and item price marking.

First, to respond to your questions as precisely as I can:

1. (a) Stop & Shop is currently testing an automated checkout system at our supermarket in Braintree, Massachusetts. That test was begun in April, 1975 and is continuing.

(b) We do price mark individual items in that store and have no plans to discontinue that practice.

(c) No.

2. Our plans call for us to continue traditional price marking.

3. We have no present plans to eliminate item price marking.

Now, if I may elaborate.

When we began the test at Braintree, we announced that we would continue to price mark individual items until such time as we received "a clear signal" from our customers that they were willing to accept use of the UPC system without item pricing.

That time, obviously, has not arrived. We do think it important, though, that until the issue is resolved to the satisfaction of all concerned, a full test of UPC, without item pricing, be authorized by the appropriate governmental agencies, and under carefully controlled guidelines.

We feel that only by such a test can we obtain the data needed to make a judgment about the actual value of UPC operating as it was designed to function.

It would be helpful, we think, if you and your committee would consider the merits of such a test, in conjunction with your deliberations about UPC generally.

Again, thanks for the opportunity to put ourselves on the record and if we can help in any other way, please don't hesitate to call on us.

Sincerely yours,

SIDNEY R. RABB,
Chairman of the Board.

FISHER FOODS, INC.,
Bedford Heights, Ohio, March 30, 1976.

Hon. FRANK E. MOSS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MOSS: This is in reference to your letter of March 26, 1976, in which you posed certain questions regarding our plans for automated check out systems in our supermarkets.

We believe the Universal Product Code with automatic scanning is the greatest innovation designed to keep the price of food down which has been developed since the advent of the supermarket in the 1930's. So it follows that we are very desirous in installing automated check out systems with scanning as soon as our customers can be adequately educated in the use of the system, and come to appreciate the significant savings it can derive from same.

As to your specific questions we state the following:

1. (a) We currently are using electronic cash registers in many of our stores. With a program of installing them in all new stores and all remodeled stores in our company, these are adaptable to the scanning device. Currently we have one store in the Chicago area which has been using the scanning, however, we continue to price mark the items.

(b) In order to make the significant savings in the cost of our operation and to pass on most of these savings to the consumer, we would hope to eventually remove pricing from the items. However, we would only remove the prices from the items after a thorough test and educational program with our customers. When our customers were adequately informed, had an appreciation of price awareness, and demonstrated confidence in the system—then and only then would we remove prices. If our customers indicated after a reasonable test period that they wanted us to retain item pricing, of course, we would do this. Customer satisfaction and the highly competitive nature of our business would dictate nothing less.

We now have very clear, large number shelf prices which also include unit pricing. We have been doing this on a voluntary basis for more than a year.

(c) We would hope that if our educational program works, and our customers accept the system we could remove pricing in all our areas of operation on all items. This we feel is the best way to affect significant savings and help keep the cost of food as low as possible.

2. We believe the above answers question 2.

3. We believe that the above also answers question 3, but to reiterate, our plan is to remove item pricing when our customers are fully informed about the system and have demonstrated confidence in scanning.

As you know, our industry has an average net profit of less than one penny on each dollar of sales. Last year our company, Fisher Foods, Inc., had net earnings of 0.9 per cent of sales. It behooves all of us with

the full cooperation of our Government to do everything possible to keep the cost of food as low as possible. Since it is obvious that we cannot squeeze any savings from our earnings we must find savings through greater productivity. We believe that the Universal Product Code with full scanning, offers a significant potential for increased productivity and cost savings. Meanwhile, we support the Ad Hoc Committee on Universal Product Code.

Lest someone become alarmed that large numbers of persons currently engaged in price marking would become unemployed, we state that we would use these employees in more productive ways to give greater customer service which hopefully would increase sales volume.

Thank you very much for your interest in this matter. We would be willing to offer additional information and testimony should you desire.

Sincerely,

CARL FAZIO,
Chairman of the Board.

ALBERTSON'S INC.,
Boise, Idaho, March 30, 1976.

HON. FRANK E. MOSS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MOSS: We have been asked by the National Association of Food Chains to advise you of our reaction to the policy recommendation made by the Public Policy Subcommittee of the Ad Hoc Committee on the Universal Product Code.

The publication of the results of the Michigan State study sponsored by the Public Policy Subcommittee caught Albertson's completely by surprise, and in the midst of making final preparations for opening our first scanner store. This store, which was to be opened in Boise, Idaho, on April 7, was to be opened in a full-scanning mode, without item pricing. Upon learning of the Public Policy statement, and the results of the Michigan State study (which we helped to fund through the National Association of Food Chains), we immediately reversed our position, and made a public announcement that Albertson's would continue to maintain conventional, item-pricing marking methods in the scanner-equipped store.

Our traditional pricing methods currently omit price marking in selected categories, such as fresh produce, specials, and selected high-volume items, and this approach will be continued in all stores.

This reversal was a result of, and consistent with, our past practice of responding to the demands of our customers, insofar as possible, and consistent with the on-going viability of our business. The purpose of the study, with which we were in full support, was to determine what problems to the consumer, if any, would result if the UPC system were implemented without prices. The results of that study clearly indicated that there, in fact, would be a loss of consumer price awareness and consciousness in the prices-off environment, and that was sufficient for us to reverse our stand on this important consumer issue. We believe this affirms the fact that in our industry the consumer is King, and that no company can operate successfully without being responsive to consumer demand.

I am enclosing a copy of the article which was released in the press, following our announcement on a return to traditional pricing practices.

Very truly yours,

WARREN E. MCCAIN, *President.*

Enclosure.

[From the Idaho Statesman, Mar. 26, 1976]

CONSUMER DEMAND WINS—ALBERTSON'S STORE TO RETURN PRICE TAGS

(By Paul Flanders)

Grocery items at the new computerized Albertson's store at Fairview and Five Mile will have price tags.

Warren McCain, president of the Boise-based food chain, said Thursday the company has reversed its stand to eliminate unit price marking. Consumer demand is the reason, he said.

"If the consumers want prices, we'll give it to them," he said.

The new store will experiment with computer price scanners which speed checkout times and insure increased accuracy, McCain said. Consumer groups had complained that shoppers would not have enough price information without individual price markings.

Albertson's hoped to eliminate price labeling to save labor costs. When the computer price scanner system—named "speedscan" by Albertson's—was announced last week, senior vice president Jerry Rudd said item pricing could be dropped at no inconvenience to customers because prices were clearly posted on the shelves.

He said the high cost of the computer scanning equipment might not pay for itself without cost reductions elsewhere in the store.

McCain said, "We'll have to wait and find out" if the system is economical without the labor cost savings.

Albertson's will have to rely on a greater sales volume, due to the competitive advantages of the speedscan, to make up the 15 per cent higher equipment costs, he said.

Labor unions, too, opposed eliminating price labeling jobs, but McCain said the new store will "employ half again as many employes as other Albertson's stores."

About 80 per cent of grocery items are marked with the universal Product Code—a block of lines readable by a computer—but the other items also must be coded with the UPC label, requiring more labor, he said.

A supermarket industry study released Thursday recommended stores "follow the same, traditional approach to individual item marking as is used in conventional supermarkets."

McCain, board member of the National Association of Food Chains, a co-sponsor of the study, said Albertson's decision was largely formed from the results of the report.

Mrs. Frank Kreizenbeck, research director for Idaho Consumer Affairs, said Albertson's should be "applauded" for intiating a program to benefit the consumer.

She added, however, she is "skeptical they'll stick to it. It they're going to do unit pricing, they're planning a different strategy than other large chain stores."

PUBLIX SUPER MARKETS, INC.,
Lakeland, Fla., April 2, 1976.

Hon. FRANK E. MOSS,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Mr. George Jenkins is out of town, and I am responding in order to return this to you in time.

The answers to your questions are as follows:

1. (a) At this time we have no automated checkout systems, nor do we have any firm plans for the installation of such a system in the next

few years. We do, however, believe the automated checkout system will be a major factor for improved productivity in our industry, and we plan to install these type systems in the future.

(b) It has always been the custom of our company to respond to the needs of our customers. There would, of course, be many productivity advantages in maintaining shelf pricing only; however, it would be our intent to go by the wishes of our customers. If customers want item pricing, we will have it.

(c) In a customer-oriented company limitations are not based on types of stores, but rather on the needs and desires of the customers.

2. The current practice in the industry is to generally price mark all items. There are, however, certain items which it has been a tradition in some stores not to price mark. For the most part, that decision is based on the volume of sales. Some stores, at this time, do not price mark individual items that are advertised as loss leaders. Other stores make it a practice not to price mark multi-pack beverages, and some stores do not price mark gallons of milk. Again, our decisions will be based on what the customer expects.

3. We will eliminate item pricing if we believe the majority of our customers desire it. We do believe there is a significant savings for the customer if item pricing is eliminated.

I appreciate your committee's interest in this matter; however, I am convinced that the customer casting her ballot at the super market voting booth each week represents a far better answer to this problem than Federal legislation.

Thank you for the opportunity to respond.

Sincerely,

HOWARD M. JENKINS.

FIRST NATIONAL STORES, INC.,
Somerville, Mass., April 8, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: In reply to your letter of March 26, first my apologies for not getting to you sooner, but I've been out of the country.

Since I am a member of the Ad Hoc Committee's Public Policy Subcommittee, there is no question as to where I stand. Therefore, I am sure my inability to make your April 5 deadline has not worked to the disadvantage of your determination process.

In answer to your questions, however:

1. (a) We have two automated checkout systems, both in Massachusetts.

1. (b) We do plan to retain item pricing generally throughout the stores.

1. (c) We have one warehouse store without automated registers in which the customers mark prices on the merchandise before bringing it to the register. We believe this is an important cost saving to the customer in this type of an operation. Moreover, we believe that the price information message is best delivered when customers reinforce

their price knowledge by writing the price on the merchandise itself. In our testing, along with consumers in our area, of better ways to communicate prices we hope that we can, with their agreement, experiment in our UPC stores to see what the effect is on price recall through the use of the same technique we are using at our warehouse type store.

2. We plan to retain item pricing throughout our stores except that, as we have always done, prices will not be on selected, fast-moving products in which price information is communicated by major signs and register cards. We have in the past both price marked and not price marked our specials. The UPC question will not affect where and when we choose that option, rather our reading of our customers and the extent of our sales program will be the determinant, as it has always been.

3. We would not think of generalizing price removal in UPC stores (and never all the way but primarily fast moving, large items where signing and frequency of purchase aid recall) until such time as we are convinced that we have found a better technique for communicating prices to our customers than that offered by price marking on the can. Frankly, we have never been satisfied with the amount of price recall and the price consciousness of our customers in spite of this costly method of individual item pricing. We think also that our present price shelf tickets and unit price labels are a much less than satisfactory information system. It will be one of our main efforts over the next few years to find a more effective way of pricing on our shelves than the present combination of price ticket and price mark.

I hope these answers are to the question. I would encourage you to rely on the sense of obligation and mission within our industry to prevent abuses in the price marking area. We believe that legislation would only harden into place an ineffective system. Without legislation and with the challenge of potential UPC savings for both the consumers and ourselves, the innovation ability of our industry will be unleashed and the consumer will benefit without sacrificing price awareness.

Sincerely,

ALAN L. HABERMAN,
President.

COLONIAL STORES INC.,
East Point, Ga., March 31, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers, Senate Commerce Committee,
Washington, D.C.

DEAR SENATOR MOSS: This is in answer to your letter of March 26, concerning item pricing in supermarkets. My answers to the three specific questions you posed follow.

1. (a) We do not have any automated checkout system currently in use. We do have a "laboratory" installation which we are using to develop programs and systems, but it is not used to serve customers.

As we see the situation now, we will install automated checkout systems sometime in the future when we feel such installations are economically feasible.

(b) Yes, we do plan to retain item pricing generally throughout the store when we install an automated checkout system.

(c) We do not anticipate any limitations on the types of stores in which we plan to retain item pricing.

2. We do not anticipate any changes in our item pricing policy. Traditionally, we do not item price most loose fresh produce and selected high volume items such as certain canned and bottled beverages, sugar, baby food, etc.

3. As mentioned in 1(b), above, we plan to make no changes in our item pricing policy when we install automated front end systems. We have always realized that this is an important and sensitive issue which has many implications and impinges on several facets important to both consumers and our industry. Our previously formulated policy closely parallels the thrust of the policy statement on item pricing recently issued by the Public Policy Subcommittee of the Ad Hoc Committee on the Universal Product Code which calls for "* * * the development of continued experimentation with alternative methods of price information and other aspects of the UPC."

I feel quite strongly that there is no need for Federal legislation at this time concerning mandatory item pricing. The supermarket industry has always been sensitive to the needs and wishes of the American consumer, and there is no reason to believe that this sensitivity has been dulled in any way. We have developed the most efficient food distribution system in the world by perceiving and meeting the needs of the consumer and by following the dictates of the free market place.

I am confident that if we allow these same forces to operate freely in this instance, solutions will emerge that will serve everyone's best interests.

I appreciate the opportunity to set forth our views. If I can be of any further assistance, please call upon me at any time.

Sincerely,

ERNEST F. BOYCE.
Chairman of the Board, Chief Executive Officer.

DILLON COMPANIES, INC.,
Hutchinson, Kans., March 29, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: 1. (a) We plan to use automated checking systems at some point in the future.

(b) We are undecided as to retaining item pricing after installing automated checkout systems.

(c) We would plan to continue item pricing in all stores not using automated checkout equipment.

2. We do not plan to item price the small merchandise normally found near the checkout counters, such as gum, candy, etc., nor would we plan to item price fresh produce.

3. We do not plan to eliminate item pricing until after we have installed some sort of scanning equipment.

In our opinion, item pricing should not be controlled through legislation. Consumers currently have the power to control item pricing through their shopping habits. It is inconceivable that any retail food store would discontinue item pricing if a large segment of their customers indicated a preference for item pricing.

Yours truly,

RICHARD W. DILLON,
Executive Vice President.

GIANT FOOD INC.,
Washington, D.C., April 1, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: We welcome your constructive response to the Public Policy Subcommittee statement. In your letter of March 26, 1976, you quote the Subcommittee's recommendation that the industry "follow the same traditional approach to individual item marking as used in conventional supermarkets." I would also respectfully call your attention to the Subcommittee's statement in the paragraph which followed immediately afterward:

"The full Subcommittee urges that this statement of position be used to discourage further legislative action while opening the door to more constructive dialogues between consumers, labor and the food retailing industry on a local and a national basis."

I hope that you look with equal favor on this portion of the Subcommittee's recommendations.

We will, of course, be pleased to provide the information about item price marking which was requested in your letter:

1. (a) Yes, we do currently make use of computer assisted checkout systems.

(b) Yes, we do plan to retain item pricing generally throughout our stores.

(c) No, we plan to retain item pricing in all our stores.

2. Historically, we have not price marked certain categories of items, such as baby foods, frozen orange juice, and in some instances, soft drinks and Kool Aid. In addition, it is impractical to individually price mark loose fresh produce (oranges, lettuce, etc.). All in all, the proportion of items in our stores that are not price marked is very small.

From time to time we do experiment with limited price removal—always alert to provide price awareness to our customers.

3. We do not plan to eliminate price marking unless consumers, working closely with us, are satisfied that our price information systems are an acceptable substitute for traditional price marking methods. We strongly believe that experimentation with new ways is important to the consumer interest. That is why we respectfully must oppose legislation which would preclude such experimentation.

We are pleased to have this opportunity to be of assistance to you and your Committee on this important issue.

Sincerely,

JOSEPH B. DANZANSKY,
President.

RED OWL STORES INC.,
Hopkins, Minn., April 13, 1976.

Hon. FRANK E. MOSS,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Following are our seriatim responses to your recent inquiries:

1a. We do not currently use automated checkout systems but are studying the possibility of installing them in one or two stores on a test basis.

b. Since we have not as yet made the determination as to whether or not to test the system, we have not as yet considered the question as to whether or not to retain item pricing in those test stores. We would like, however, the flexibility not to do so.

c. We have no limitations on the types of stores in which to retain item pricing, but in any event we will be closely attuned to the desires and wishes of our customers.

2. We have not as yet considered this question, and therefore any answer would be speculative.

3. We have not as yet considered this question, and therefore any answer would be speculative.

Very truly yours,

RICHARD C. JOHNSON,
Vice President, Secretary, General Counsel.

BORMAN'S, INC.,
Detroit, Mich., March 31, 1976.

Hon. FRANK E. MOSS,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: I am responding to your letter of March 26, 1976, addressed to Mr. Joseph Kron of our company. His specific answers to your questions are as follows:

1. (a) In one of our eighty-five stores we are currently testing the automated check-out system. We have no further plans to use them in any additional stores, as we do not feel our testing of the one system has been complete.

(b) It is our present intention to retain item pricing throughout our stores.

(c) All of our stores presently have item pricing, and we have no plans on eliminating item pricing from any of the stores, regardlesss of the size or style of the store.

2. Traditionally, certain products have not been specifically item priced; for example, fresh fruits and produce which have to be weighed, certain high volume products, including items which are on sale. This varies from week to week, and the pricing is eliminated only because the sheer bulk of the sale products sold is so great that an unusually heavy labor cost would be incurred if we tried to place the price on each individual item.

3. We have no present plans to eliminate item pricing. We can envision that several years from now, after completing tests of equipment, we might be experimenting with the elimination of prices from various

items in addition to high volume and perishable items described above, which never have carried prices on them. This would be undertaken only very gradually and with a close view toward the consumer acceptance of the change. If present consumer attitudes were to continue, we would not consider the removal of item prices.

Sincerely,

PAUL BORMAN, *President.*

CULLUM COMPANIES, INC.,
Dallas, Tex., April 2, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR MR. MOSS: In response to your recent letter to Mr. Robert B. Cullum requesting information relative to the research conducted at Michigan State University recommending that persons using automated check-out equipment "follow the same traditional approach to individual item marking as used in conventional supermarkets."

Answers to the following questions:

1. (a) Currently we use electronic terminals in six of our operating units, however, we do not utilize scanning in our checkout operations at the present time.

(b) We do plan to retain item pricing generally throughout our stores until total UPC and scanning are implemented.

(c) No limitations on types of stores that we operate.

2. We will retain item pricing generally throughout our stores.

3. When the time comes that all of our units are equipped with electronic terminals and the universal product code is complete, we will review item pricing and determine its value and also the consumers' attitude toward it.

We appreciate your contacting us and hopefully this information will be helpful to you.

Sincerely,

JACK W. EVANS,
Executive Vice President.

J. WEINGARTEN, INC.,
Houston, Tex., April 21, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Mr. Abe Weingarten, chairman of the board of our company, has requested that I reply on his behalf to your recent letter addressed to him. In this letter you pose a number of questions concerning our intentions with regard to item pricing on individual items in our stores. I will attempt to answer these questions in the same order in which you ask them.

1. (a) We presently have installed on an experimental basis automated checkout systems with scanners in two of our stores.

(b) Our present intention is to continue to individually price mark the same categories of merchandise in these stores that we do in our other stores.

(c) We have no plans to differentiate between different types of stores with respect to item pricing.

2. We have no plans to differentiate between different categories of merchandise with respect to item pricing. We plan to continue to individually price those items which we have traditionally treated in this way.

3. If it should appear advisable in the future to experiment with the elimination of item pricing on any particular category of merchandise, we would, of course, be very careful to monitor the tests, particularly with regard to the wishes and desires of our customers. We feel that we have been able to build our company to its present size only by doing everything in our power to give our customers what they wish.

I trust this will give you the information you desire. If any enlargement upon these answers is needed, please don't hesitate to get in touch with me.

Very sincerely yours,

BERNARD WEINGARTEN,
President.

HY-VEE FOOD STORES, INC.,
Chariton, Iowa, April 1, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR MR. MOSS: In response to your questions on item pricing and a necessity to have an answer by Monday, April 5, I am taking the liberty to answer your letter. Mr. Vredenburg is on vacation and will not return by this time.

We do not have any automated checkout systems and have no plans in the near future to install this system. We feel several high turnover items lend themselves well to nonpricing such as milk, cigarettes, pop, ice cream, and bread. We are conducting a small survey in five stores to determine the feasibility of nonpricing these items.

We will be happy to answer any further questions you might have on this subject.

Sincerely,

RON PEARSON, *Vice President.*

FOODARAMA SUPERMARKETS, INC.,
Freehold, N.J., April 5, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: I appreciate the opportunity offered by your letter to establish the position of our company relative to the question of item pricing in our ShopRite of West Long Branch, N.J., which is now testing an automated checkout system.

To answer your questions:

1. (a) Yes, our company has been testing a scanning system since November 1974, in ShopRite of West Long Branch.

(b) Yes, we have retained item pricing generally throughout the store and plan to continue doing so.

(c) At this time, we have no plans to install scanning in any of our other 42 stores but, should a decision be made to test another system, we would retain item pricing.

2. As had been our custom even prior to scanning, we are not item pricing frozen juices, canned soda, milk, and eggs but have highly visible display price signs for these items.

3. We have no plans in the foreseeable future to eliminate item pricing. When we have complete assurance from our customers that they have confidence in the complete and consistent accuracy of scanning and when we ourselves are confident that an alternate method of pricing, that is, accurate and easily readable and completely understandable shelf pricing information, would be acceptable, then, and only then, will we consider eliminating item pricing from a limited number of products.

We are firmly committed to the consumer's right to have whatever pricing information is necessary on which to make a buying decision and believe it is in the supermarket's best interests to provide this information.

I sincerely appreciate your concern in this matter and your desire not to pursue legislation which may be shown to be premature and unnecessary.

Cordially,

JOSEPH J. SAKER, *President.*

THRIFTIMART, INC.,
Los Angeles, Calif., April 1, 1976.

Hon. FRANK E. MOSS,
U.S. Senate,
Washington, D.C.

DEAR MR. MOSS: In answer to your questions:

1. (a) Yes, we plan to use automated checkout systems.

(b) We would plan to retail item pricing generally throughout our stores, if, initially, until such a time consumer acceptance and/or competitive factors, such as other stores taking off their pricing successfully without any anticonsumer reaction.

(c) No.

2. We would probably retain item pricing generally throughout the store on types of products that the UPC label was not on or that competitive factors dictate that we do so.

3. We would eliminate item pricing only when complete consumer acceptance was achieved and competitive factors in the marketplace allowed us to do so. Interpretation: These competitive factors in the grocery business are such that we could not do anything such as eliminate item pricing if the consumers in our area were not sold on the concept because they would immediately turn to our competition who were pricing. However, if the consumer acceptance was there then we would have to eliminate item pricing if our competition did so; otherwise, it

would give them a competitive advantage by lowering the cost and therefore our competition could afford to lower their prices.

We operate on such a low-profit margin, less than 1 percent net after taxes, that any small decrease or increase in our expense rate is reflected immediately in our price structure and passed along to the consumer.

If there are any questions on this, I would be happy to elaborate further.

Sincerely yours,

ROBERT E. LAVERTY,
Chairman of the Board.

CHATHAM SUPER MARKETS, INC.,
Warren, Mich., April 2, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR TED: In response to your letter of March 20, 1976, regarding Chatham's status on price marking in slot scanning stores, I give you the following:

1. (a) At the present time, we have one store equipped with an IBM slot scanning system.

(b) Yes—we had not removed prices in this store and in light of the pending legislation, we will continue to item price mark.

(c) No—at this time, we are maintaining item pricing in all stores.

2. In general, we normally do not item price the following item categories: baby food; gelatin products; assorted dairy products; and assorted paper products.

This represents only 6 to 8 percent of our total items, and in each case when item price is not used, the respective shelf area is clearly marked with the price.

3. Our present decision is to retain individual item pricing. If the pending legislation is defeated and we ascertain that our customer will accept price removal, then we will further review our current policy.

It is our feeling that mandatory legislation regarding item pricing is not necessary at this time. The issue of slot scanning is still in a test phase with only approximately 30 some locations in the Nation, and regulation in this area is premature at this time.

If we can be of any future service, please call on us.

Sincerely,

HARVEY L. WEISBERG,
Executive Vice President.

BIG BEAR STORES CO.,
Columbus, Ohio, April 1, 1976.

Hon. FRANK E. MOSS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: We have followed with interest the Senate's consideration of legislation requiring individual price marking. We consider this legislation to be unnecessary at this time. In answer to your questions specifically:

1.(a) We do not have any automated checkout systems in operation or on order at this time.

(b) If we do install such a system we will continue to retain item pricing generally throughout our stores.

(c) In the case of warehouse-type stores where many items are sold in bulk or case lots, it has not been the practice to item price mark individual items. In this type of store the customer marks the retail price on the item if less than one case is purchased. The cases are each marked with a sticker showing case retail and unit retail. This system has worked well in this type of store and we hope that the savings gained can be continued to be passed along to the customers.

2. Items that are not generally individually price marked in our stores now are case lots, baby foods, and other items where we have hundreds of flavors all selling for the same price each. These are always well marked with shelf signs so there is no doubt in the customer's mind on the price. Fresh produce items are not always individually marked because of the volume involved and the complexities of marking on the surface of the product. Again, price signs are conspicuous at the point of sale and the cashier has a price list at the point of checkout. Other selected high volume items are not always marked but signs clearly delineate the price to the customers.

We would like the flexibility to experiment with alternative methods of checkout systems and pricing without the burden of legislation that may hamper the development of a system that will provide meaningful savings to our industry and to the consumer.

Our company has had the trust of our customers for 42 years and we are not going to violate that trust now.

I hope you will agree that legislation at this time is premature.

Sincerely,

MICHAEL J. KNILANS,
Executive Vice President.

P. & C. FOOD MARKETS, INC.,
Syracuse, N.Y., March 29, 1976.

HON. FRANK E. MOSS,
Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR TED: On Mr. Fulham's behalf, I am happy to answer your questions regarding item marking with automated checkout equipment.

1. (a) We plan a pilot test of an automated checkout system late this summer.

(b) We do intend to retain item pricing generally throughout our stores.

(c) The bulk of our stores will be using manual checkout systems for the foreseeable future.

2. Items that may be omitted from pricing would include sugar, canned soft drinks, soups, and other very high velocity items. The total number of items not priced would approximate 200.

3. We would plan to retain item pricing indefinitely.

If I can be of any further help, please do not hesitate to call.

Sincerely yours,

DONALD DILG,
Vice President, Sales and Procurement.

PICK-N-PAY SUPER MARKETS, INC.,
Cleveland, Ohio, April 2, 1967.

Hon. Senator Moss,
Chairman, The Consumer Subcommittee,
Senate Commerce Committee, Washington, D.C.

DEAR SENATOR MOSS: After a careful review of the recently released policy statement from the Public Policy Subcommittee relative to item pricing, our company intends to continue using the same traditional approach which we have used prior to the advent of the scanning system. This means that we will continue to price those categories of items which we have always priced until we are able to find a better way of operating which will satisfy the best interests of the consumer as developed through further activities of the Public Policy Subcommittee.

Sincerely yours,

R. J. BOGOMOLNY,
President and Chief Executive.

ALTERMAN FOODS, INC.,
Atlanta, Ga., April 1, 1976.

Senator FRANK E. MOSS,
Chairman, Consumer Subcommittee,
Senate Commerce Committee, Washington, D.C.

DEAR SENATOR MOSS: Thank you for your letter of March 26, 1976. In response to your questions, we make the following response:

1. A. We do not currently make use of automated checkout systems in our stores. We do not plan to use automated systems in our stores in the near future.

B. Not applicable.

C. Not applicable.

2. Not applicable.

3. Not applicable.

We wish to point out that although your questions do not apply to us at this time, we agree with the policy statement on item pricing as recommended by the Public Policy Subcommittee of the Ad Hoc Committee on the Universal Product Code.

Sincerely,

SAM P. ALTERMAN, *President.*

SCHNUCK MARKETS, INC.,
Bridgeton, Mo., April 2, 1976.

Hon. FRANK E. MOSS,
Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: This mailgram is in response to your request to supply information regarding item pricing. We currently operate 50 supermarkets in Missouri and Illinois with the greatest concentration in the St. Louis metropolitan area.

During 1976 we intend to install an automated check out system in one of our supermarkets in the St. Louis area on a trial basis. Having no experience with this new equipment on which to make a judgment, I'm sure you will agree it is difficult if not impossible to make a long-term commitment relative to item pricing. We do intend however to further the recommendation of the Public Policy Committee on the Universal Product Code and maintain prices on all items except those related categories that have traditionally been left unmarked until such time as this issue becomes clearly defined and understood by consumers as well as the Government.

We feel strongly that through responsible leadership in our industry regarding the item pricing question we will be able to avert Government legislation and regulation.

Thank you for consideration of our position.

Sincerely,

DONALD O. SCHNUCK, *President.*

SHOPWELL, INC.,
New York, N.Y., April 2, 1976.

Senator FRANK E. Moss,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR Moss: Herbert B. Daitch, Chairman of the Board of our company, has asked me to respond to your letter of March 26, 1976, concerning proposed legislation which would require individual item pricing for those items which have been traditionally price marked.

In response to your questions, be advised as follows:

(1a) At the present time our company has one automated check-out system in operation. This system, however, does not have scanning capability. We plan on installing a number of electronic cash registers, but at the present time we do not contemplate the introduction of scanning systems.

(1b) It is our intention to retain our traditional method of item pricing. This method requires that each individual item be price marked with the exception of certain high velocity items such as milk and eggs, where we post the purchase price at the point of sale.

(1c) We intend to maintain the price policy described in (b) above in all of our stores.

(2) Traditionally certain items have not been individually price marked and we would propose to continue this practice. These items include eggs, milk, baby foods, small packages of candy and gum, cigarettes, frozen juices, ice cream soft drinks and loose produce.

(3) At the present time we do not plan on eliminating item pricing nor is it likely that we will make this decision within the foreseeable future.

Thank you for this opportunity to furnish your committee with this information. If we can be of any further assistance please contact me at your convenience.

Very truly yours,

JAY M. ROSENGARTEN,
Vice President.

FOODLAND SUPER MARKETS,
Huntington, W.Va., April 6, 1976.

Hon. FRANK E. MOSS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MOSS: I have talked with my father concerning your letter of March 26, 1976 regarding the Public Policy Sub-committee of the Ad Hoc Committee on UPC statement. No final decision has been made on the use of automated check-out equipment in our company. We are still in the process of evaluating the benefits derived from such equipment.

We now price all traditionally priced items and have no plans to discontinue this practice at this time. If we can be of any further service to you, please feel free to call on us.

Sincerely,

MIKE QUEEN, *President.*

BAZÁR, INC.,
Portland, Oreg., March 30, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Because of the investment we do not plan to change over to automated checkouts in the near future. The idea is excellent because it will save consumers a great deal *if* individual item marking can be discontinued. In fact, the savings should more than equal the earnings of the entire retail food industry last year!

Logically no one would invest in equipment of this nature unless they could achieve something for the consumer. That can only be done if item pricing is eliminated to the fullest extent.

The other obvious benefit is accuracy in checking out. Checkers under the stress of crowds of customes do make mistakes; the computer checkout will assure consumers of the correct price every time.

In my opinion, the food industry is the most dedicated, low margin, low profit industry there is. It will continue to do a good job if left alone. The less legislation we have, the lower retail prices will be.

Thanks for your inquiry and interest.

Yours very truly,

W. T. TRIPLETT, JR.,
President and Chief Executive Officer.

ALMACS, INC.,
East Providence, R.I., April 1, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: In answer to your letter of March 6th, asking for certain information regarding our present or future use of UPC, I submit the following:

1. A. We do not now use nor do we have immediate plans to use automated checkouts, however, we do have in use Electronic Cash

Registers and therefore, it is obvious some day in the future we will be into this type of automated equipment.

B. At the present time there are no plans to discontinue the use of item price identification. In all probability, price identification on those items presently priced would continue for an indefinite period.

C. We would probably have no limit on the type of stores in which item pricing is retained.

2. We would probably retain item pricing as stated above on generally the same items that we now price. That would be dry groceries and meat. We do not now generally price such items as fresh produce and certain other high volume items.

3. We would probably retain item pricing to this extent until such time as we had assured ourselves of a satisfactory method of informing our customers of the correct price of the item, and until such time that we felt the customer was confident of our system.

Any other information that we may be able to supply, do not hesitate to contact us.

Very truly yours,

WILLIAM L. REIFF, *President.*

BRUNO'S INC,
Birmingham, Ala., March 29, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR MR. MOSS: We plan to use automated checkout systems, and we plan to retain item pricing throughout our stores on all products, and expect to continue until the consumer is fully satisfied that she will accept shelf pricing.

Sincerely,

JOE BRUNO,
President, Chairman of the Board.

THE FED-MART CORP.,
San Diego, Calif., April 5, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: Fed Mart has installed NCR 255 electronic point of sale cash registers in 5 of its 47 stores. We plan to expand to other stores based upon customer acceptance and an economical justification at each location. These registers are capable of supporting a variety of consumer and vendor related programs including item tracking, price lookup, multiple quantity extensions, automatic tax calculation, electronic funds transfer, etc. We foresee all of the above programs leading to better balanced merchandise selections, improved service, and reduce overhead. The consumer will be the ultimate beneficiary in the competitive retail environment in which we market. For this reason, it is important that the consumer make the decision by choosing or not choosing to shop at our stores that will feature, among other things, shelf marking instead of individual item marked goods.

Following are the answers to your questions:
1. (1) (a) Yes.
(b) Undecided.
(c) Each individual store must be able to cost justify EPOS equipment. Our smaller stores probably cannot.
2. High velocity items.
3. Most likely, not before 1977.

Sincerely,

HANS SCHOEPFLIN,
President and Chief Executive Officer.

APPLEBAUMS' FOOD MARKETS, INC.,
St. Paul, Minn., April 8, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
Senate Office Building, Washington, D.C.

DEAR SENATOR MOSS: In reference to your questionnaire dated March 26, 1976, which you wanted a reply by April 5, I am sorry but this letter just arrived on April 8 and I am answering it on that date.

In answer to question:

1. (a) We currently do not use automatic checkout stands. We have a few stores with electronic registers that can be converted to automation.
(b) Yes.
(c) None.
2. We do not plan to change our present operation which prices every item.
3. We have no plans.

Very truly yours,

SAM SINGER,
Chairman of the Board.

KING KULLEN GROCERY CO. INC.,
Westbury, N.Y., March 31, 1976.

Hon. FRANK E. MOSS,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: This is in reply to your letter of March 26, 1976, addressed to Mr. James A. Cullen.

1. (a) Do you currently make use of, or do you plan to use, automated checkout systems?

We are currently using and installing electronic front-end registers, but we are not currently installing scanning systems, although we most likely will when the state of the art has been proven.

(b) If yes, do you plan to retain item pricing generally throughout the stores.

At present our plans do call for retaining item pricing generally throughout the stores. (See answer to Question 2 below.)

(c) Are there any limitations on the types of stores in which you plan to retain item pricing? If so, please describe.

No, there are no limitations as to the types of stores.

2. If you plan to retain item pricing generally throughout your store,

on what types of products, if any, do you plan not to retain item pricing?

We are presently planning to comply with the regulation proposed by the County of Suffolk, State of New York, a copy of which is attached to this letter. We believe this proposed regulation to be reasonable and we have no objection to it.

3. If you plan to retain item pricing for only a limited period of time, when do you plan to eliminate item pricing?

We do not plan to eliminate item pricing until alternate methods of price information are developed.

Very truly yours,

RALPH F. HAYDEN, *Vice President.*

Enclosure.

PURSUANT TO SECTION 3 OF THE CONSUMER PROTECTION ACT OF 1973, LOCAL LAW NO. 22–73, COUNTY OF SUFFOLK, STATE OF NEW YORK, THE FOLLOWING REGULATION IN RELATION TO UNCONSCIONABLE TRADE PRACTICES IS HEREBY PROMULGATED

REGULATION III

Section 1. Price Itemization

Except as may be otherwise prescribed by State or Federal law, it shall be deemed as unconscionable trade practice for any retail food establishment to display for sale any consumer commodity in packaged form unless the selling price is conspicuously, plainly and clearly stated in arabic numerals by a stamp, mark, tag or label affixed to each package except as otherwise provided herein.

Section 2. Definitions

For the purposes of this regulation, the terms "retail food establishment," "sale item or weekend special" and "consumer commodity" shall be defined as follows:

(a) "Retail food establishment" shall mean a store or area within a general retail merchandise store selling primarily food at retail for off-premises consumption, provided that such store had annual gross sales in the previous calendar year of at least $1 million, unless such store is a part of a network of subsidiaries, affiliates or other member stores, under direct or indirect common control, which, as a group had annual gross sales in the previous calendar year of at least $1 million.

(b) "Sale item or weekend special" shall mean a consumer commodity offered for sale for a period of seven days or less in a retail food establishment at a price below the price that such commodity is usually sold for in such establishment.

(c) "Consumer commodity" shall mean the following:

(i) food, including all material solid, liquid, or mixed, whether simple or compounded, used or intended for consumption by human beings or domestic animals normally kept as household pets, and all substances or ingredients added thereto for any purpose; and

(ii) napkins, facial tissues, toilet tissues, foil wrappings, plastic wrapping, paper toweling, disposable plates and cups; and

(iii) detergents, soaps and other cleansing agents.

Section 3. Exemptions

The provisions of Section 1 hereof shall not apply to the following consumer commodities however packaged or contained, provided the selling price is conspicuously, plainly and clearly stated in arabic numerals by a sign contiguous to the point of display of the commodity:

(a) Milk.

(b) Eggs.

(c) Loose fresh produce.

(d) Consumer commodities which are offered for sale in single packages and weighing three ounces or less.

(e) Consumer commodities offered as a sale item or weekend special, provided that if such items or specials do not bear a selling price a list or lists of the prices for each sale item or weekend special is conspicuously posted for the duration of the sale period at each check-out position visible to both consumers

and cashiers, and provided further, that if sales items or weekend specials do bear a selling price such price shall be the sale or special price.

(f) Consumer commodities which are displayed for sale at the end of aisles in the front of a retail food establishment.

(g) Strained and junior size baby foods packaged in jars.

(h) Gelatin desserts where the selling price for different flavors packaged in identical sizes or quantities is the same.

(i) Single cans or bottles of soda where the selling price for different flavors packed in identical sizes or quantities is the same.

(j) Consumer commodities which are displayed for sale in bulk which are either packaged for or by the consumer.

(k) Snack foods such as cakes, gum, candies, chips and nuts offered for sale in single packages and weighing five ounces or less.

(l) Food sold for consumption on premises.

(m) The provisions of this section may be subsequently modified or amended by the Commissioner, either by adding or deleting consumer commodities from the list of exemptions or by further directing the manner in which the selling price of exempted consumer commodities shall be posted.

Section 4. Testing

The Commissioner of Consumer Affairs may grant to one or more retail food establishments an exemption from the requirement of Regulation III for the purpose of testing consumer reaction to item price removal. A request for an exemption shall be in writing addressed to the Commissioner stating: a) the location of the proposed test store, b) a list of all commodities which will not be individually price marked during the test, c) an exact description of those commodities as appearing on a register tape to be given to consumers, and d) the proposed duration of the test. The Commissioner may grant or deny the exemption or modify the test, at his or her sole discretion.

Section 5. Superseder

Nothing contained herein is intended to modify or otherwise limit the provisions of Article 16 of the Agriculture and Markets Law (Chapter 581, Laws of 1974) or the Rules and Regulations of the Department of Agriculture and Markets promulgated pursuant thereto and relating to unit pricing of cerain consumer commodities sold at retail in food stores.

This regulation shall take effect on March 4, 1976 and shall be applicable to consumer commodities offered for sale by retail food establishments on and after April 4, 1976.

PURITY SUPREME SUPERMARKETS, INC.
North Billerica, Mass., March 30, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: With reference to your letter of March 26th concerning the intentions of Purity Supreme Supermarkets on price marking, the following are our answers to your questions:

1. (a) We do not make use of, or plan to make use of, automated checkouts in the near future.

(b) If we do use automated checkouts in the more remote future, our present plans are to retain item pricing.

(c) There are no limitations on the types of stores which we plan to retain item pricing.

2. There are no items that we do not plan to item price.

3. We do not plan to eliminate item pricing at any time.

Sincerely yours,

LEO KAHN, *President.*

BROCKTON PUBLIC MARKETS, INC.,
Brockton, Mass., March 29, 1976.

Senator FRANK MOSS,
U.S. Senate,
Washintgon, D.C.

DEAR SENATOR MOSS: In answer to your letter of March 26th, we have been experimenting jointly with Data General Corporation of Southboro, Massachusetts on an automated checkout system since August 1974. The purpose was to test out the efficiency of a scanning system and to make such technological changes as have been desirable. This test period is now coming to a successful conclusion, and we are planning on installing their automatic scanners in several of our stores.

Specifically, in answer to your question, we plan to retain item pricing generally throughout the stores where we are scanning in much the same way as we currently item price in the non-scanning supermarkets. All of our stores are generally of the same type in terms of size, sales volume, the number of items carried, etc.

We do not plan to retain item pricing on packages of merchandise which are on sale for that specific week because neither we nor our customers feel it is necessary in view of the fact that we have printed flyers available for all customers in the stores showing the items that are on sale. If the customer wishes to retain a record, they can simply take a flyer home with them. We also do not plan to put prices on items which customarily have been sold in the past without them. These items include such things as cigarettes, half gallons of milk and a limited number of very fast-selling items on which the customer is fully aware of the price because of frequency of purchasing. We have no current plans to eliminate item pricing and feel very strongly that it should not be done (certainly for a period of some years) until people have built up confidence in the system and are thoroughly familiar with how it works.

I might add that we have a Consumer Panel consisting of some 18 to 25 customers working with us as an advisory group for several of our stores including the one where we are now testing. It is our belief that these consumer groups concur with the above decisions.

We strongly urge you to take no action at this time on this matter. We feel certain that retailers generally will follow the recommendation of the Ad Hoc Committee, and, therefore, there would be no need for legislation at either State or Federal level. There are great long-run possibilities for lowering food costs with automated checkouts, however, and it would be very unfortunate if legislators listen to the demands of the Retail Clerks Union for feather-bedding legislation which might make it impossible in the future to lower food distribution costs.

Very truly yours,

STANTON W. DAVIS,
Chairman of the Board.

WEGMANS FOOD MARKETS, INC.,
Rochester, N.Y., March 30, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: We are pleased to supply responses to your recent questions concerning our company's plans to item price in computer assisted checkout stores.

1. (a) We currently have four scanning installations. The first was installed in November, 1974 and the most recent has become fully operational just this week. Additional systems are planned in coming weeks.

(b) We plan to item price generally throughout our stores.

In August, 1975 we removed some prices as a test in our first scanning store, a superstore offering 20,000 items. Prices were removed from advertised specials and 1,000 other items including cereals, paper products, frozen food, baby food, gelatin deserts, milk, butter, eggs, and sugar.

With the report of the MSU research and recommendation of the Public Policy Subcommittee we have restored prices in this test store to all items except the specials, milk, butter, eggs, sugar, baby food, and gelatin desserts.

2. Our plan is to retain item pricing in all stores except for specials and the selected high volume items mentioned immediately above. Our practice is not to remove any prices at all in newly installed systems until confidence has been gained by customers and company alike.

3. We do not plan to eliminate item pricing. Discussions will continue with consumer and labor representatives through the Public Policy Subcommittee, concurrent with continued experimentation with alternative methods of providing price information.

Sincerely,

ROBERT B. WEGMAN,
Chairman of the Board.

BROOKSHIRE GROCERY CO.,
Tyler, Tex., April 2, 1976.

Senator FRANK E. MOSS,
U.S. Senate,
Washington, D.C.

We as the owners of 50 supermarkets in Texas, Louisiana, and Arkansas are willing to follow the item pricing procedure common in supermarkets today if automated checkouts are installed. We are especially sensitive to the desires of consumers and as we experiment with the new procedure, we shall continue to keep the interests of consumers in mind as a primary objective.

The legislation would adversely affect a present industry policy of certain items upon which it is highly impractical to place item prices. These include fresh produce, some special and other selected high volume items, such as small packages of candies, mints, etc.

We urge you not to pass mandatory items pricing in this period of transition to mechanization of the highly expensive checkout methods in supermarkets. We know that any reduction in such cost would result

in lower food bills to consumers and we are committed to doing all things possible to attain that result.

We congratulate you on your comments appearing in the Congressional Record as to our industry attempting to fulfill the good intentions of the Public Policy Subcommittee of the Ad Hoc Committee on the Universal Product Code.

———— ————.

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PIGGLY WIGGLY RED RIVER CO., INC.,
Clarksville, Tex., March 30, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN MOSS: Thank you for your letter dated March 26, 1976 concerning the use of automated checkout systems and item pricing in our stores. I will answer the questions you posed as briefly as possible.

1. (a) We do not currently use the automated checkout system in our stores—and, we have no plans to do so in the near future.

(b) We would retain item pricing even with the automated checkout system.

(c) No limitations.

2. None—will follow the same procedure as in the past.

3. We do not now plan to use only for a limited time.

I hope these answers will be sufficient—should you want additional information, just let me know and I will be glad to furnish it.

Sincerely yours,

LLOYD W. SMITH, *President.*

———

DELCHAMPS, INC.,
Mobile, Ala., April 2, 1976.

Hon. FRANK E. MOSS,
Dirksen Building, Washington, D.C.

DEAR SENATOR MOSS: This is a response to your letter dated March 26, concerning Mandatory Item Pricing Legislation being considered by the Senate Committee on Commerce. We are pleased to learn that you were apparently impressed with the initiative taken by the Public Policy Subcommittee of the Ad Hoc Committee on UPC.

Our answers to the questions posed in your letter are as follows:

1. (a) Do you currently make use of, or do you plan to use, automated checkout systems?

Answer: At the present time, our regional chain of 48 supermarkets has no automated checkout systems in operation and none on order. We are carefully studying the various types of equipment available and are watching with great interest, the small number of test installations in operation around the country. We do plan to install automated systems in our larger volume stores, but it will probably be several years down the road.

(b) If yes, do you plan to retain item pricing generally throughout your stores?

Answer: That decision will have to be made at the time we decide to install automated equipment, but of course we will be guided by

what our customers want us to do. If they feel individual item pricing is necessary, we would follow the traditional approach to pricing, as noted in the Public Policy Subcommittee recommendations.

(c) Are there any limitations on the types of stores in which you plan to retain item pricing? If so, please describe.

Answer: We're not operating any warehouse type stores and have none in our plans for the future.

2. If you plan to retain item pricing generally throughout your store, on what types of products, if any, do you plan not to retain item pricing?

Answer: If our customers decide that we should retain individual item pricing, we would, as stated above, use our traditional pricing methods which currently omit price marking in selected categories, such as fresh produce, some feature items and selected high volume items.

3. If you plan to retain item pricing for only a limited period of time, when do you plan to eliminate item pricing?

Answer: If our decision is to retain item pricing in our automated stores, we would probably eliminate item pricing if our customers were convinced that the cost savings to be derived would benefit them in the form of lower prices and a more efficient operation at the front end.

Senator Moss, I assume that you and your colleagues are well aware of what a highly competitive industry we are in and that the customer has the ultimate "say-so" in how we operate our business. We are constantly reminded that we are in a service business and merely act as a purchasing agent for the consuming public. If we don't provide them the products and services that they demand, one of our competitors down the street will surely eliminate us from the race eventually.

I hope your committee will not pass legislation that will prevent us from making the productivity improvements that we so badly need and that the consumer deserves.

Sincerely,

O. H. DELCHAMPS, Jr., *President.*

RALEY'S,
Sacramento, Calif., April 1, 1976.

Hon. FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: This is in reply to your March 26 letter, regarding individual item marking.

1a. We presently do not have any plans to use automated check-out systems. We had given consideration to this two or three years ago but stopped when it seemed apparent that individual item marking might be required and thereby eliminate much of the advantage of scanning.

1b. If we were to go to scanning, I doubt seriously that we would retain item pricing throughout the store.

Our attitude at this time is one of wait and see. The automated check-out system is extremely expensive and we have no intent to pursue it further unless we can see a definite saving to offset the cost of the equipment, or unless we are forced to move in this direction because of competition.

Very truly yours,

CHARLES L. COLLINGS, *President.*

TAMPA WHOLESALE CO.,
Tampa, Fla., April 13, 1976.

Hon. FRANK E. MOSS,
Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR MR. MOSS: Please refer your letter of March 26, 1976. We are sorry that we were unable to comply with your date of April 5, 1976 to respond to your questions; however, we did not receive your letter until today.

To answer your questions:

1. (a) Do you currently make use of, or do you plan to use, automated check out systems?

Answer: Yes.

(b) If yes, do you plan to retain item pricing generally throughout your stores?

Answer: Yes.

(c) Are there any limitations on the types of stores in which you plan to retain item pricing?

Answer: No.

2. We plan not to retain item pricing on items such as produce, dairy (milk, eggs), and possibly some meat.

3. Question not applicable.

Very truly yours,

DONALD L. HANST, *Controller.*

MEIJER, INC.,
Grand Rapids, Mich., March 30, 1976.

Senator FRANK E. MOSS,
Chairman, Subcommittee for Consumers,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: We currently are planning on our first pilot installation of a scanner type checkout system this August. The installation will take place in an existing store with the scanners being added to the present electronic cash registers.

There are no plans to remove item pricing for this or any other near-term installations. However, historically, we have not item price marked many items including such things as milk, some bread items, cottage cheese, baby food, produce, cigarettes, tobacco, special sale items, etc.

We believe it will be some time before we are in a position to decide if item price marking should be curtailed or expanded. Until that unknown time arrives, we believe we should continue our past and present practice and hope the legislature will allow the refinement of systems before taking any precipitous action nullifying potential gains before adequate experience is acquired.

I hope this information adequately answers your questions and if we can be of any further assistance, please don't hesitate to call me.

Sincerely,

EARL HOLTON,
Executive Vice President.

MOTT'S SUPER MARKETS, INC.,
East Hartford, Conn., April 1, 1976.

Hon. FRANK E. MOSS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: In response to your questions:

Item 1: (a) We intend to use automated check out systems if and when they prove themselves to effect sufficient savings so that the consumer will benefit;

(b) We will retain item pricing if the customer demands it;

(c) No.

Item 2: We would make every effort to convince the customer that item pricing was not necessary on items where, by category, literally thousands of units are identically priced, i.e., baby food, canned soda.

Item 3: We would eliminate item pricing only when the customer would accept it.

This is our point of view at this point in time. Hope it is of some assistance to you.

Sincerely,

STANFORD COHEN,
President.

SUMMARY RESULTS OF CONSUMER SHOPPING BEHAVIOR PRICING STUDY

An analysis comparing shopping behavior in stores employing scanner assisted checkout systems without prices on products with stores using conventional item pricing.

Research report conducted for the Ad Hoc Committee of the Grocery Industry for the Development of the Universal Product Code, March 23, 1976, Washington, D.C.

(By John W. Allen, Michigan State University, Gilbert D. Harrell, Michigan State University, and Michael D. Hutt, University of Vermont)

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DESCRIPTION OF PROJECT

The use of the Universal Product Code (UPC) in conjunction with the introduction of scanner equipped checkout systems in supermarkets has made it technologically possible for stores to discontinue the practice of price marking some individual products and to rely instead on shelf prices and other methods to convey price information for these items. The purpose of this study was to assess the effect of the discontinuance of item price marking on shoppers' ability to make food purchases effectively. The central focus was on the actual behavior of shoppers, rather than on their attitudes. Issues studied related to the ability of shoppers to determine with ease and accuracy the price of products in Universal Product Code-Scanner Prices Off (UPC–SPO) stores where prices of products were displayed on shelves, but were removed from individual items. The study also measured the possible influence of UPC–SPO stores on shoppers' awareness of food prices when they shop, as well as over an extended period of time. The study also assessed the influence of the system on the time required for shoppers to make grocery purchases.

Drs. John W. Allen and Gilbert D. Harrell, Michigan State University, and Dr. Michael D. Hutt, University of Vermont (Allen/Harrell/Hutt), were commissioned by the Public Policy Subcommittee on the UPC to conduct the research. A three-phase research design was developed. The project involved conducting personal interviews with randomly selected shoppers in pairs of UPC–SPO supermarkets and conventional supermarkets in three different cities. Interviews were conducted at the point of product purchase decisions, with shoppers entering and leaving supermarkets, and at shoppers' home by telephone over a six-week test period. The study design and data analysis were extensively pretested.

This project periodically received from and responded to data information requests from a number of individuals expressing often diverse and conflicting viewpoints. The kinds of organizations included unions, consumer groups, companies and trade associations. Test results will be provided to interested persons to assist them in evaluating the economic and social costs and benefits of price removal to consumers.

The management consulting firm, McKinsey & Co., Inc., was commissioned to assist in the coordination and administration of the project and was represented by Messrs. Robert Cort and Thomas Wilson. Dr. Willard Bishop, Super Market Institute, and Mr. James Turner, National Consumer League, also provided continuous consultation on research goals and implementation. In this connection, Mr. Turner acted as an individual consumer advocate in an effort to insure that the consumer viewpoint was presented at every stage of the development and implementation of the research project. The report was conducted and authored by the researchers Allen/Harrell/Hutt, who are singularly responsible for its content.

Acknowledgments

Numerous persons contributed importantly to the conduct of the research. Because of its complex nature, the project called for considerable time and resources of persons representing the cooperating companies, members of the Subcommittee on Public Policy, and the professional field research firms retained by the research team. Each person associated with the project has been extended a personal expression of appreciation by the researchers. Mr. Mark B. Traylor, president, PACE Marketing Group, deserves special recognition for field management of the extensive data collection.

RESEARCH ISSUES

The major issues identified for research were the following:

Comparing shoppers of conventional and UPC–SPO stores, what differences might there be in terms of: Ability to determine prices of products on shelves; ability to use unit price information; price awareness in stores; ability to make price comparisons between items; shopping time; price awareness in the home; ability to follow prices and price changes over time; ability to determine prices in the home; criteria for store choice; and satisfaction/dissatisfaction with store.

Research issues in perspective

With the UPC–SPO system it is not necessary for a store to price stamp each retail item individually in order to ascertain the price to be charged for the item at the checkout. If prices are not marked on each individual item, the shelf becomes the source of shopper price information prior to purchase, while the view screen on the register is the source during checkout, and the register tape is the source after the sale.

The potential removal of price labels from individual items has created a controversy between food industry executives and consumer and labor union representatives.

Since the removal of prices from individual items has emerged as the primary area of controversy, this discussion is limited to issues associated with pricing. While many varying viewpoints could be ad-

vanced, the intent here is to capture the nature of the conflicting positions.

First, critics contend that price removal might seriously reduce price awareness on the part of shoppers and the ability of shoppers to determine prices in stores. In their view, shoppers might find it more difficult both to determine the prices of individual items while shopping in a UPC–SPO store, and to make price comparisons between product categories (for example, fresh as compared with canned grapefruit). Thus, consumers could lose valuable information and, in turn, be less alert to price trends, price levels, and economic value choices. In response, supporters of the system believe that consumers will be able to operate as effectively and efficiently with the new system while enjoying the anticipated benefits. Supporters have argued that one possible advantage of the new system is that the existence of shelf pricing alone may encourage use of unit price information. Because little is known about the precise way by which shoppers process price information, industry representatives supported the notion testing the new system in terms of consumers' behavioral reaction.

A second objection to item price removal concerns the possible inconveniences the system may impose on shoppers. Consumers might be forced to invest more time in shopping because of the difficulty of matching products to shelf prices and making price comparisons at different points within the store. Missing shelf tags and misplaced items might further complicate the shopping process. In response, supporters argue that consumers will find that the new system actually reduces the time required for shopping without significant inconvenience.

Third, critics contend that shoppers will lose a source of valuable pricing information in the home. They will be unable to refer to the prices on previously purchased items in making price comparisons from week to week and in planning future buying decisions. It is argued that consumers will become less sensitive to price changes over time. Advocates reply that the more complete register tape provided as a result of the scanning system has the potential for increasing the availability and accuracy of such information, and thus the sensitivity of the consumer to price changes over time.

A fourth area of debate centers on the accuracy of the UPC system. Critics believe that consumers might be unable to detect small differences between shelf prices and prices actually charged at the checkout stand. Supporters contend that stores will not engage in such practices. They believe that consumer knowledge of prices provides an additional deterrent to such a practice.

The research objectives flowing from the issues and conflicting hypotheses presented earlier were operationalized using three separate samples and data collection techniques: Phase I, in-store interviews at point of purchase; phase II, in-store interviews at checkout stands; and phase III, telephone in-home interviews. The research design is explained in the following section of this report.

RESEARCH PROCEDURES AND FINDINGS

An analysis of buyer behavior pertinent to issues surrounding item price removal required three separate research phases, each with a

unique methodology designed to address selected aspects of the overall question. In this section findings are grouped roughly according to how they were researched. The first set of research findings concerns shoppers' ability to determine the prices of products at shelf locations in the store, shoppers' unit price determination, and aspects of price comparisons across brands. The second set of research findings concerns shoppers' awareness of the price of items at the time of checkout, the use of price comparisons, and the amount of time required to shop in UPC–SPO versus conventional stores. The third group of findings deals with in-home price determination and awareness for shoppers from UPC–SPO stores and conventional stores.

All of the research was conducted in three geographically dispersed metropolitan areas. In each area a UPC-SPO store was matched with a similar conventional store in the same supermarket chain according to the demographic characteristics of shoppers, store size, physical layout of the store, and the stores' sales volumes.

PHASE I

Price determination

A random sample of 720 shoppers (120 from each of the 6 stores) was interviewed at specified aisle locations. Each of the shoppers was asked to give the price of an item that they had selected. They were allowed to look at any available price markings, that is, shelf prices in UPC–SPO stores and shelf prices and/or package prices in conventional stores. Of the 320 UPC–SPO store shoppers, 88 percent provided the correct price, and 96 percent of the 320 conventional store shoppers provided the correct price. Conventional store shoppers reported the correct price more frequently than UPC–SPO store shoppers. While similar differences occurred in each city, the differences were large enough in only two cities to be reasonably sure the findings were not due to chance.

Unit price usage

Shoppers were also asked if they had used the unit price, for example, the price per ounce, or pound and about 13 percent of the shoppers in each store said that they had. There were no differences in the use of unit prices in UPC–SPO or conventional stores. Those who reported having used the unit price were asked to provide that price. The majority of shoppers in both store environments provided the correct response.

Difficulty in seeing prices

Shoppers were asked if they had difficulty in seeing the price of the product about which they were questioned. Approximately 15 percent of the UPC–SPO store shoppers reported difficulty, compared with 9 percent of the conventional store shoppers. The differences for the total sample were signficant.

Price comparisons

Finally, shoppers were asked if they had compared the price of the product to any other product. Twenty-one percent of the UPC–SPO and 32 percent of the conventional store shoppers said they had made such comparisons. The differences for the total sample were significant.

PHASE II

The objectives of this phase of the research were to examine four kinds of potential differences in shopping behavior between UPC–SPO and conventional stores: (1) differences in price awareness of shoppers; (2) differences in the frequency and levels of price comparisons made by shoppers among items within the store; (3) differences in the amount of time spent while shopping in each store environment; and (4) differences in the reported difficulty in seeing prices. A random sample of 1,500 shoppers (750 UPC consumers and 750 conventional store consumers) were selected and interviewed at the point of checkout.

Three methods were used to select the products used in the study. First, respondents were asked to select three items from their carts and to give the prices of each. Second, interviewers selected three items from the respondents' carts on a rotating quota basis and asked them the prices. In the third method, respondents selected 3 items from a display of 40 commonly purchased items (but items not purchased on the current shopping trip) and provided an estimate of the price of each. Two approaches were taken to measure the degree of error in response. First, each response on an item was compared with the actual price of the item and coded as correct or incorrect. For example, assume that the actual price of a brand of corn flakes was 80 cents and a shopper said it was 60 cents. For the first method of computation, the shopper's response would have been computed as incorrect. The amount of error was not taken into account. In the second computational approach, the magnitude of error was calculated according to the following formula:

Actual item price minus price given by shopper divided by actual price equals percentage error.

Thus, in the above example, with the second method of computation the percentage error would have been 25 percent:

Eighty cents (actual price) minus 60 cents (price given by shopper) divided by 80 cents (actual price) equals 25 percent error.

Thus, the first computation reflects solely whether an error occurred irrespective of its size. The second approach reflects the magnitude of the error, if one existed. It should be noted that the second approach was the absolute value of the error—that is, the error was treated the same whether it was an overestimate or an underestimate.[1]

Differences in price awareness

There were significant differences between the percentage of correct responses of UPC–SPO store shoppers and of conventional store shoppers for items that shoppers selected from their carts and for items selected by the interviewer. On the average for products selected by the shopper, consumers in UPC–SPO stores correctly identified the price of 56 percent of the items, while conventional shoppers correctly identified the price of 71 percent of the items.

When the interviewer selected the items from the cart, on the average, UPC–SPO shoppers correctly identified the price of 41 percent of the items, while conventional store shoppers were correct in 56 percent of the cases.

[1] Where appropriate, the computation of over- and underestimates are broken out and reported separately.

On the third measure of price awareness—selection of items from the display table—the results did not show significant differences between UPC–SPO and conventional store shoppers.

As noted above, in calculating the magnitude of error in responses between UPC–SPO and conventional store shoppers, the absolute percentage differences between actual prices and prices estimated by shoppers were calculated. The average amount of error (above or below actual prices) for the three items selected by the UPC–SPO store shoppers was 8.4 percent, while for conventional store shoppers it was 4.4. Therefore, the conclusion is that on the average UPC–SPO store shoppers made significantly larger errors in responses than their conventional store counterparts.

In looking only at shoppers who were in error, in those cases where underestimates of prices were given, UPC–SPO shoppers were in error by 9.2 percent and conventional store shoppers in error by 6.7 percent. Overestimation errors were about 13.2 and 8.5 percent for UPC–SPO and conventional store shoppers, respectively.

The second measure of shoppers' price awareness, which focused on the three items selected by the interviewers from the shoppers' carts, produced results similar to those when items were selected by shoppers. The average amount of error for each product for UPC–SPO store shoppers was 12 percent while conventional store shoppers had experienced about 8 percent error.

Again on the measure of price awareness of the display items not purchased on the shopping trip, there were no significant differences between UPC–SPO and conventional shoppers. The mean amounts of absolute error in estimating prices on the items was about 19 percent.

Differences in price comparisons while shopping

To investigate price comparisons while shopping, respondents were asked if they selected an item, placed it in their cart, and then referred to the item later in making a comparison with another product. Approximately 28 percent of the sample in both stores indicated that they had made such a comparison. Of the 28 percent that did make comparisons, about 80 percent in each type of store said that they used the price in making comparisons. It is possible that the shoppers in the UPC–SPO stores who made comparisons did so with price marked items such as meats or other products.

In addition, shoppers were questioned to determine the extent to which they made price comparisons across food category substitutes—for example, comparing the price of a canned food item with the same item that was fresh or frozen. Approximately 8 percent of shoppers in both types of stores made this kind of comparison. There were no significant differences between UPC–SPO and conventional store shoppers.

Differences in shopping time

The total shopping time of each person was computed by recording the time he or she selected a cart to begin shopping to the time a checkout line was entered. Hence the measure of shopping time does not reflect any aspect of checkout speed. Shopping time was then divided by the number of items that the respondent had purchased on the shopping trip to obtain the time spent per item, excluding time required

for checkout. For each store type, approximately 1.3 minutes per item was required. There were no differences between UPC–SPO and conventional stores in shopping time.

Differences in reported difficulty in seeing prices

About 40 percent of the UPC–SPO store shoppers, as compared to 15 percent of the conventional store shoppers, reported difficulty in seeing prices during their shopping trip. These differences were highly significant.

PHASE III

Results in phase III deal with five areas of possible differences between shoppers in UPC–SPO and conventional stores: (1) differences in price awareness of products in the home; (2) differences in price awareness over time; (3) differences in price determination ability in the home; (4) differences in shopper satisfaction in each store; and (5) differences in store loyalty.

Over 700 shoppers were interviewed at 2-week intervals during the 6-week test period. This approach provided the opportunity to examine price awareness at three different times and to monitor the consumer's price knowledge of specific items over the test period. Respondents were asked to give the price of a product identified during phase II, and several brands selected by the shopper from a list on nine commonly purchased products.

As in phase II, each price awareness measure was treated in two ways: According to correct-incorrect responses, and according to the absolute percentage differences between the actual price and the price given by the respondent.

Differences in price awareness in home

During the first telephone call the shopper was asked to give the price of a product that had been identified by the interviewer during the phase II in-store study. The products were selected to represent a broad range of brands in the store. Prior to phase III, the shopper was not asked about the product and therefore was not sensitized to the price information. Correct prices were reported by 20 percent of the UPC–SPO shoppers and 31 percent of the conventional store shoppers. It, therefore, is concluded that store type is related to in-home price awareness.

Over the 6-week test period each shopper was asked to give the price of nine additional frequently purchased food products that they had purchased on their last major shopping trip. On the average, for each of these products at each time period, UPC–SPO store shoppers were correct about 30 percent of the time, compared with 42 percent of the conventional store shoppers.

Overall, the correct-incorrect computation of price awareness in the home was studied with questions about 10 products each shopper had purchased over three time periods. For 7 of the 10 items examined, UPC–SPO shoppers reported incorrect prices significantly more frequently than did conventional store shoppers.

The data were again analyzed using the average absolute amount of price error reported by shoppers in both store environments. For the product selected during phase II, UPC–SPO shoppers had, on the

average, a 19-percent error, and conventional store shoppers had an average 15-percent error. These differences are significant, and it is concluded that UPC–SPO shoppers for this first product selected from a broad range of products were less price aware in the home than were conventional store shoppers.

For the nine brands selected over the 6-week test period, the differences in the average amount of error experienced by UPC–SPO shoppers versus conventional store shoppers were not significant.

Differences in price awareness over time

A further examination of price consciousness was made by tracking the buying behavior exhibited for specific items across the 6-week test period. To illustrate, consumers were asked in time period 2 if they had purchased or considered purchasing any of the items noted in the first interview since the time of that interview. A similar probe was made in the third time period. This provided the opportunity to examine the shoppers' sensitivity to price changes.

In time period 2, about 27 percent of the UPC–SPO who repurchased or considered repurchasing the item reported a correct price, compared with 37 percent of the conventional store shoppers. However, this difference could be due to chance alone. In the third test period, 39 percent of the UPC–SPO shoppers reported correct prices, while 57 percent of the conventional store sample fell into this category. These results are statistically significant, i.e., not due to chance.

Differences in price determination in the home

In phase I of the study, the price determination ability of shoppers was measured at the point of purchase in each store type. That measure was replicated in the home environment in the third phase of the study, according to the following procedure: A grocery product being purchased was noted during the phase II interview. At that time respondents were not queried concerning this item, and, therefore, were not "sensitized" to the prices of the item. Given the opportunity to use any available sources of information that they had in the home, respondents were asked to name the price of the item. Twenty percent of the UPC–SPO shoppers in the total sample reported the correct prices, compared to 44 percent of the conventional store shoppers. It is concluded that UPC shoppers exhibit less correct price determination ability in the home than conventional store shoppers.

The sources of information used by shoppers to determine prices in the home were examined. About 5.4 percent of the UPC–SPO sample utilized cash register tapes provided by the scanning system, and about 41 percent of the conventional store shoppers referred to the prices on items stored in the home in responding to this question.

Differences in shopping satisfaction

A measure of shoppers' subjective evaluations concerning selected store characteristics was included in the telephone phase of the study. For the total sample, 67 percent of the UPC–SPO sample reported that they were very satisfied with the checkout speed, compared with 44 percent of the conventional store shoppers. Thus, it is concluded that UPC–SPO shoppers were more satisfied with the checkout speed than their conventional store counterparts.

A different picture emerged when the focus shifted to another facet of the shopping experience, the ease of reading prices. Sixty-five percent of the conventional store shoppers in the total sample felt that the very satisfied response category best described their feelings toward this dimension, compared with 41 percent of the UPC–SPO store shoppers. Conventional store shoppers were more satisfied with the ease of reading prices than UPC–SPO store shoppers.

Store loyalty

For the first two test periods in this phase, the store selection decisions of the shoppers were recorded. In each telephone interview the shopper was asked to identify where they made their last major grocery shopping trip. Additional questions were employed to isolate the date and location of that shopping trip. This provided a unique opportunity to examine the store switching behavior of the shoppers. During the first time period, about 43 percent of UPC–SPO shoppers switched stores compared with about 26 percent in the conventional store. A similar pattern emerged in the second time period; 47 percent of the UPC–SPO store shoppers switched, while 31 percent of the conventional store shoppers switched. A number of factors impinge on store selection decisions, one of which might be the store pricing system.

POLICY STATEMENT ON ITEM PRICING

(Issued by The Public Policy Subcommittee of the Ad Hoc Committee on the Universal Product Code)

When checkstand scanning became operational in supermarkets in North America in the summer and fall of 1974, the grocery industry's Ad Hoc Committee on the Universal Product Code recognized that the possibility of the removal of item pricing in some stores had produced considerable debate among all interested parties. In an effort to make the debate fruitful rather than destructive, the committee took two steps. First, it issued a policy statement on the subject. In that statement the committee noted that on the basis of current studies, stores could expect to achieve savings by substituting shelf pricing and/or alternative forms of price information for item pricing (as was now technically feasible). It was also believed and noted by the industry—in the absence of information to the contrary—that the move away from item pricing should not present significant problems for consumers in their shopping efforts.

The committee recognized that further work was needed to confirm both the savings for the stores and the lack of problems for consumers. Toward that end, it recommended that the new system be tried with prices off as well as prices on. It further urged that the result be carefully studied before any final position was taken.

As its second step in trying to make sure that the price information issue was resolved properly, the Ad Hoc Committee established the Public Policy Subcommittee to serve as a forum for discussing the issue. The Subcommittee was set up to include a member of the organized consumer movement—Mr. James Turner—and to include a tie with labor in the person of Mr. Wayne Horvitz of the Joint Labor-Management Committee.

In the months following the advent of scanning, the debate on the price removal issue moved into the legislative arena. At the same time, the debate became extremely heated and at times emotional on all sides. The industry members of the Public Policy Subcommittee thought that this turn of events was unfortunate and counterproductive. It was their hope that this very important issue would be resolved without resorting to laws that could well freeze the entire UPC system. The industry members strongly felt that that legislative approach was premature, and that position was made clear in legislatures across the country.

The entire Subcommittee also recognized that in order to move toward resolution of the price removal issue, it would be necessary to gather additional facts—facts on the ability of consumers to shop in "prices-off" stores compared to conventional markets and facts on the levels of dollar savings that would result from price removal. In order to gather those necessary facts on the effect of price removal on con-

sumers, the Public Policy Subcommittee sponsored a major research project conducted by Drs. John Allen and Gilbert Harrell, of Michigan State University, and Dr. Michael Hutt, of the University of Vermont. That research project was conducted with the valuable input of consumer groups. It was designed to tell us as much as possible at this point in time about the effect of item pricing removal.

That study has been described in detail. The results indicated at this point that some shoppers in "prices off" stores do experience a measurable reduction in price awareness and consciousness compared to shoppers in conventional stores. This overall finding is of major concern to the Public Policy Subcommittee. In fact, although current studies indicate that the savings from removal of item pricing are in accordance with earlier industry projections, some consumers today apparently have problems in shopping in a "prices off" environment.

Thus, the Public Policy Subcommittee is recommending to the industry that scanner stores follow the same traditional approach to individual item marking as is used in conventional supermarkets. It should be noted that traditional pricing methods currently omit price marking in selected categories such as fresh produce, specials, and selected high volume items, and this approach would be continued in scanner stores. In addition, warehouse centers and small volume stores have traditionally not priced individual items. The Subcommittee also recommends that discussions continue to be held with consumer and labor representatives through the Public Policy Subcommittee and other appropriate forums on the development of continued experimentation with alternative methods of price information and other aspects of the UPC system.

The full Subcommittee urges that this statement of position be used to discourage further legislative action while opening the door to more constructive dialogs between consumers, labor, and the food retail industry on a local and a national basis.

The Subcommittee believes that creating and maintaining consumer price awareness, while lowering the cost of food, are worthy and complex goals. The concepts and techniques of attaining these goals are far from resolved.

The Subcommittee recognizes that it will take innovation and experimentation in consultation among consumers, labor and industry representatives before any consideration might be given to the substitution of other forms of price information for item price marking.

March 23, 1976.

ADDITIONAL COMMENTS BY TRADE ASSOCIATIONS

THE NATIONAL ASSOCIATION OF FOOD CHAINS,
Washington, D.C., April 2, 1976.

Hon. FRANK E. MOSS,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOSS: The National Association of Food Chains respectfully requests that the Consumer Subcommittee of the Senate Commerce Committee delay any consideration on S. 997 until the food distribution industry has had the opportunity to review carefully the results of the recently released study on item pricing and the recommended policy statement of the Public Policy Subcommittee.

For example, the policy statement will be considered by the NAFC Board of Directors on May 2 and my office will communicate to you the formal position of the Association as recommended by the Board.

It has been our contention that this is an issue that should an can be resolved without legislation through constructive dialogue between the food industry, consumers, and labor.

We were encouraged by your comments of March 3, 1976, that you hoped, "that the perceived need for this legislation will dissipate as retailers and consumers sit down and go over, without acrimony, how price information can be provided without legislation."

Similarly, in its policy recommendation, the Public Policy Subcommittee urged, "that this statement of position be used to discourage further legislative action while opening the door to more constructive dialogues between consumers, labor and the food retail industry on a local and national basis."

Finally, in a statement before your Committee, Ellen Zawel, who was then President of the National Consumers Congress, introduced for the record, "I believe it would be useful for the Committee to know that this particular model for consumer input in the search for objective data, and ultimately rational decisionmaking, is being adopted by other groups within and serving the food industry.

"In an age when increased technology and economic complexity make planning and policy difficult to develop, this method of joint activity may well be the road to follow."

It is the opinion of NAFC that mandatory item pricing legislation would significantly deter if not destroy any future hopes for a process of rational decisionmaking through constructive dialogue.

In conclusion, Mr. Chairman, there are about forty thousand supermarkets in the United States. Currently, only fifty-four stores have installed scanning-computer assisted checkout equipment. And of that number, only a couple of conventional-type supermarkets are experimenting with a shelf price identification system instead of item pricing.

The limited degree of pilot programing to date and the events of recent weeks certainly do not justify any positive consideration of S. 997.

Sincerely,

CLARENCE G. ADAMY, *President.*

Enclosure.

RESOLUTION BY THE NAFC BOARD OF DIRECTORS ON THE PUBLIC POLICY SUBCOMMITTEE POLICY RECOMMENDATION ON ITEM PRICING

Whereas, the NAFC Board of Directors views the Universal Product Code Scanner Checkstand System as an important productivity development.

Whereas, this system should be tested and developed in the competitive market place free from restrictive government laws or regulations.

Whereas, the system should be developed in a manner that benefits the consumer and the industry.

Whereas, questions concerning individual item marking and other aspects of the system should be resolved through constructive dialogue rather than through legislative debate.

Whereas, with the formation of the Public Policy Subcommittee, communications with an input from consumer representatives have been developed, despite an atmosphere of political instability.

Whereas, the Subcommittee was formed as a dialogue and research mechanism to provide the industry with information and guidance on questions of public policy.

Whereas, the recent study conducted by researchers from Michigan State University and the University of Vermont is a product of that mechanism.

Whereas, based on current findings from the research, the Public Policy Subcommittee has recommended a policy position on item pricing.

Whereas, it is hoped that this statement of position will discourage further legislative action while opening the door to more constructive dialogues, between consumers, labor and the food retail industry on a local and national basis.

Therefore, it is

Resolved by the board of directors, That the National Association of Food Chains endorses the policy statement on item pricing as recommended by the Public Policy Subcommittee.

WEGMANS FOOD MARKETS, INC.,
Rochester, N.Y., March 29, 1976.

Senator FRANK E. MOSS,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR MOSS: As you know, the Public Policy Subcommittee of the Universal Product Code Committee, of which I am chairman, issued a recommendation on March 23, 1976, to the entire supermarket

industry that it continue to price mark products in computer assisted scanning stores in the same manner as has been the practice in conventional stores.

It was the intention of our Committee that the adoption of this policy by the industry would eliminate the need for mandatory item pricing legislation while at the same time enable the industry to work with consumers and labor toward a better understanding of what promises to be a truly remarkable step forward in food distribution.

I will be presenting our policy statement for approval at the Super Market Institute's board meeting on May 2, 1976. This is the largest trade association in the food industry and has over 800 supermarket chains as members.

On behalf of the industry, I thank you for your commendation of our efforts to work with consumers and labor in the development and implementation of the Universal Product Code.

Sincerely yours,

ROBERT B. WEGMAN,
Chairman of the board.

[STAFF WORKING DRAFT]

94TH CONGRESS
2D SESSION

S. 997

IN THE SENATE OF THE UNITED STATES

MARCH 7, 1975

Mr. Moss (for himself, Mr. ABOUREZK, Mr. CASE, Mr. CHURCH, Mr. GRAVEL, Mr. HUMPHREY, Mr. MCGEE, Mr. MCGOVERN, Mr. MCINTYRE, Mr. MAGNUSON, Mr. NELSON, and Mr. TUNNEY) introduced the following bill; which was read twice and referred to the Committee on Commerce

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend the Fair Packaging and Labeling Act to require the disclosure by retail distributors of retail unit prices of consumer commodities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

~~That this Act may be cited as the "Price Disclosure Act".~~

~~PRICE MARKING REQUIREMENTS~~

~~SEC. 2. Section 4 of the Fair Packaging and Labeling Act (15 U.S.C. 1453) is amended by adding at the end thereof the following new subsection:~~

"(c) No person engaged in business in the sale at retail of any packaged consumer commodity which has been distributed in commerce, or the distribution of which affects commerce, shall sell, offer for sale, or display for sale any such commodity unless—

"(1) the total selling price of such commodity is plainly marked by a stamp, tag, or label affixed to a panel of the package; and

"(2) the retail unit price of such commodity is plainly marked by—

"(A) a stamp, tag, or label affixed to principal display panel of the package, or

"(B) a label or sign in close proximity to the point of display of such package, which label or sign shall also contain the name and quantity of contents of such commodity."

EXEMPTIONS

SEC. 3. Section 5(b) of such Act (15 U.S.C. 1454(b)) is amended by inserting "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) The following entities shall be exempt from the operation of section 4(c) of this Act:

"(A) Any individual retail outlet which sells or offers for sale packaged consumer commodities and whose total gross sales do not exceed $250,000 per annum, un-

less such an outlet is one of a number of outlets owned substantially or whose inventory is supplied substantially, by a single person, partnership, or corporation whose total gross sales exceed $500,000 per annum.

"(B) Any retail outlet in any State which has enacted a mandatory unit pricing law and such law is determined by the Commission to be in full force and effect and comparable in scope and comprehensiveness to the requirements of this section; except that retailers (including chainstores and affiliated stores) who operate outlets in any such State shall be subject to the provisions of section 4(c)(2) of this Act if they also operate outlets in any other State. The Commission shall, upon application by an appropriate and adequately staffed State agency, or agencies, certify a plan if the requirements of such plan (1) do not unduly burden interstate commerce; (2) afford equivalent or greater price disclosure to an equivalent or greater number of consumers in such State than is afforded by the provisions of this Act; (3) include adequate provision for enforcement; and (4) provide for periodic evaluation of the effectiveness of such price disclosure requirements, in cooperation with the Commission. Such certification shall be reviewed periodically, but not less than once every three years, by the Commission, and shall be renewed if such

plan (A) continues to meet or exceed the provisions of this Act; and (B) is administered and enforced effectively by the State involved.".

DEFINITIONS

SEC. 4. (a) The first sentence of section 10(a) of the Fair Packaging and Labeling Act (15 U.S.C. 1459(a)) is amended by—

(1) striking out the word "consumption" the first time it appears in such sentence and inserting in lieu thereof the word "use"; and

(2) striking ", or use by individuals for purposes of personal care or in the performance of services ordinarily rendered within the household, and which usually is consumed or expended in the course of such consumption or use", and inserting in lieu thereof the following: "in or around the household, but shall not include durable goods which are customarily not expended or consumed during the first year of use".

(b) Section 10 of such Act (15 U.S.C. 1459) is amended by adding at the end thereof the following new subsection:

"(g) The term 'retail unit price', when used in relation to the contents of a package of any consumer commodity, means the retail prices of the contents of that package ex-

~~pressed in terms of the retail price of such contents per single whole unit of weight, volume, or measure.".~~

~~ENFORCEMENT AUTHORITY~~

~~SEC. 5. (a) Section 5(a) of the Fair Packaging and Labeling Act (15 U.S.C. 1454(a)) is amended by (1) striking out the words "(A) the Secretary of Health, Education, and Welfare (referred to hereinafter as the 'Secretary') with respect to any consumer commodity which is a food, drug, device, or cosmetic, as each such term is defined by section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321); and (B)", and striking out the words "with respect to any other consumer commodity".~~

~~(b) Section 5(b) of such Act (15 U.S.C. 1454(b)) is amended by striking out the words "the Secretary or".~~

~~(c) Section 5(d) of such Act (15 U.S.C. 1454(d)) is amended to read as follows: "Whenever the Commission determines that there is undue proliferation of the weights, measures, or quantities in which any consumer commodity or reasonably comparable consumer commodities are being distributed in packages for sale at retail and such undue proliferation impairs the reasonable ability of consumers to make value comparisons with respect to such consumer commodity or commodities, the Commission shall request and the Secretary of Commerce shall initiate a voluntary product standard for such commodity or commodities under the procedures for~~

the development of voluntary products standards established by the Secretary of Commerce pursuant to section 2 of the Act of March 3, 1901 (31 Stat. 1449, as amended; 15 U.S.C. 272). Such procedures shall provide adequate manufacturer, packer, distributor, and consumer representation.",

(d) Section 5(c) of such Act (15 U.S.C. 1454(c)) is amended by striking out the word "the" after "(2)" and all that follows before the end of the sentence, and inserting in lieu thereof "the Commission determines that it has not been observed, the Commission shall prescribe such rules as may be necessary to eliminate such undue proliferation of weights, measures, or quantities in which any consumer commodity or reasonably comparable consumer commodities are being distributed in packages for sale at retail.".

(e) Section 6 of such Act (15 U.S.C. 1455) is amended by—

(1) Striking out subsections "(a)" and "(b)", redesignating subsections "(c)" and "(d)" as subsections "(b)" and "(c)", respectively, and inserting the following new subsection:

"(a) Regulations promulgated by the Commission under section 4 or section 5 of this Act shall be prescribed in accordance with section 553 of title 5, United States Code; except that the Commission shall give interested persons an opportunity for oral presentations of data, views, and argu-

ments, in addition to written submissions. A transcript shall be kept of any oral presentation. Any such rule shall be subject to judicial review under section 18(e) of the Federal Trade Commission Act (as amended by the Magnuson-Moss Act, Public Law 93-637 in the same manner as rules prescribed under section 18(a)(1)(B) of such Act, except that section 18(c)(3)(B) of such Act shall not apply.", and

(2) Inserting at the end of subsection (b) as redesignated by paragraph (1) of this subsection the following new sentence: "In connection with the training by the Commission of any individual who is an officer or employee of any State or any political subdivision of a State, duly commissioned by the Commission as an officer of the Commission to conduct examinations, investigations, or perform other functions, for the purposes of carrying out this Act, the Commission may allow such individual travel expenses to and from the place of such training, including per diem in lieu of subsistence while in travel status and during such training, in the same manner as such expenses are authorized by section 5703 of title 5, United States Code, for individuals in the Government service employed intermittently: *Provided*, That the individual's training is conducted under an agreement between the Commission and a State, or a political subdivision of a State, pursuant to which such in-

~~dividual,~~ ~~upon~~ ~~completion~~ ~~of~~ ~~the~~ ~~training,~~ ~~will~~ ~~be~~ ~~employed~~ ~~by~~ ~~such~~ ~~State,~~ ~~or~~ ~~political~~ ~~subdivision~~ ~~to~~ ~~conduct~~ ~~examinations~~ ~~or~~ ~~investigations~~ ~~to~~ ~~carry~~ ~~out~~ ~~the~~ ~~purposes~~ ~~of~~ ~~this~~ ~~Act.''.~~

~~(f)~~ ~~Section~~ ~~7~~ ~~of~~ ~~such~~ ~~Act~~ ~~(15~~ ~~U.S.C.~~ ~~1456)~~ ~~is~~ ~~amended~~ ~~by~~ ~~(1)~~ ~~striking~~ ~~out~~ ~~subsections~~ ~~''(a)''~~ ~~and~~ ~~''(b)'',~~ ~~(2)~~ ~~redesignating~~ ~~subsection~~ ~~''(c)''~~ ~~as~~ ~~subsection~~ ~~''(b)'',~~ ~~and~~ ~~(3)~~ ~~inserting~~ ~~the~~ ~~following~~ ~~new~~ ~~subsection:~~

~~''(a)~~ ~~Any~~ ~~violation~~ ~~of~~ ~~any~~ ~~of~~ ~~the~~ ~~provisions~~ ~~of~~ ~~this~~ ~~Act~~ ~~or~~ ~~the~~ ~~regulations~~ ~~issued~~ ~~pursuant~~ ~~to~~ ~~the~~ ~~Act,~~ ~~with~~ ~~respect~~ ~~to~~ ~~any~~ ~~consumer~~ ~~commodity~~ ~~delivered~~ ~~for~~ ~~introduction~~ ~~in~~ ~~commerce,~~ ~~or~~ ~~sold~~ ~~at~~ ~~retail,~~ ~~offered~~ ~~for~~ ~~sale~~ ~~at~~ ~~retail,~~ ~~or~~ ~~displayed~~ ~~for~~ ~~sale~~ ~~at~~ ~~retail,~~ ~~shall~~ ~~constitute~~ ~~an~~ ~~unfair~~ ~~or~~ ~~deceptive~~ ~~act~~ ~~or~~ ~~practice~~ ~~affecting~~ ~~commerce~~ ~~in~~ ~~violation~~ ~~of~~ ~~section~~ ~~5(a)~~ ~~of~~ ~~the~~ ~~Federal~~ ~~Trade~~ ~~Commission~~ ~~Act~~ ~~(15~~ ~~U.S.C.~~ ~~45(a))~~ ~~and~~ ~~shall~~ ~~be~~ ~~subject~~ ~~to~~ ~~enforcement~~ ~~under~~ ~~section~~ ~~5(b)~~ ~~and~~ ~~penalties~~ ~~under~~ ~~section~~ ~~5(l)~~ ~~and~~ ~~section~~ ~~5(m)~~ ~~of~~ ~~such~~ ~~Act,~~ ~~as~~ ~~amended.''.~~

~~(g)~~ ~~Section~~ ~~8~~ ~~of~~ ~~such~~ ~~Act~~ ~~(15~~ ~~U.S.C.~~ ~~1457)~~ ~~is~~ ~~amended~~ ~~by~~ ~~(1)~~ ~~striking~~ ~~the~~ ~~beginning~~ ~~of~~ ~~the~~ ~~sentence~~ ~~beginning~~ ~~with~~ ~~the~~ ~~word~~ ~~''Each''~~ ~~up~~ ~~to~~ ~~and~~ ~~through~~ ~~the~~ ~~word~~ ~~''Act,'',~~ ~~and~~ ~~by~~ ~~inserting~~ ~~in~~ ~~lieu~~ ~~thereof~~ ~~''The~~ ~~Commission'',~~ ~~and~~ ~~(2)~~ ~~striking~~ ~~the~~ ~~words~~ ~~''that~~ ~~officer~~ ~~or~~ ~~agency~~ ~~for''~~ ~~and~~ ~~by~~ ~~inserting~~ ~~in~~ ~~lieu~~ ~~thereof~~ ~~''the~~ ~~Commission~~ ~~in''.~~

~~(h) Section 9(a) of such Act (15 U.S.C. 1458(a))~~ is ~~amended by—~~

~~(1) striking the words "to the Secretary of Commerce, who shall (1) transmit copies thereof" and in-~~
~~serting in lieu thereof "by the Commission", and~~

~~(2) striking the words "agencies, and (2) furnish to such State officers and agencies" and inserting in lieu thereof "which shall also be furnished with".~~

~~EFFECTIVE DATE~~

~~SEC. 6. The amendments made by this Act shall take effect on the first day of the seventh month after its date of enactment, except that the requirements of section 4(c)(1) of the Fair Packaging and Labeling Act, as amended by sec-~~
~~tion 2 of this Act, shall take effect on the first day of the first month after the date of enactment of this Act. The amend-~~
~~ments made by sections 5(c) and 5(f) of this Act shall take effect, with regard to the promulgation of regulations and the enforcement of section 4(c)(1) of the Fair Packaging and Labeling Act, on the first day of the first month after the date of enactment of this Act.~~

That this Act may be cited as the "Price Disclosure Act".

SEC. 2. PRICE MARKING REQUIREMENTS.

Section 4 of the Fair Packaging and Labeling Act (15 U.S.C. 1453) is amended by adding at the end thereof the following new subsection:

"(c) No person engaged in business in the sale at retail of any packaged consumer commodity which has been distributed in commerce, or the distribution of which affects commerce, shall sell, offer for sale, or display for sale any such commodity other than in conformity with regulations which shall be established by the promulgating authority, pursuant to section 6(b) of this Act. Such regulations shall provide as follows:

"(1) The total selling price of any such commodity shall be plainly marked by a stamp, tag, or label affixed to a panel of the package.

"(2) The retail unit price of any such commodity shall be plainly marked by—

"(A) a stamp, tag, or label affixed to a principal display panel of the package, or

"(B) a label or sign in close proximity to the point of display of such package if such label or sign also states the name and net quantity of contents of such commodity.".

SEC. 3. EXEMPTIONS.

Section 5(b) of the Fair Packaging and Labeling Act (15 U.S.C. 1454(b)) is amended by—

(1) inserting "(1)" immediately after "(b)", and

(2) adding at the end thereof the following three new paragraphs:

"(2) The provisions of section 4(c)(1) of this Act shall not apply to—

"(A) consumer commodities which are offered for sale in good faith in a retail outlet for a period of 7 days or less, at a price below the usual selling price therefor in such retail outlet, so long as the sale price of such commodities is clearly indicated by a label or sign in close proximity to the point of display;

"(B) consumer commodities which are sold through a vending machine;

"(C) consumer commodities which (i) are under 3 cubic inches in size, (ii) weigh less than 3 ounces, and (iii) are priced under 30 cents;

"(D) eggs;

"(E) food sold for consumption on the premises;

"(F) identical items within a multi-item package, so long as such package is properly marked in accordance with section 4(c)(1) of this Act;

"(G) jars of baby food weighing 8 ounces or less;

"(H) milk;

"(I) snack foods (including cakes, gum, candies, chips, and nuts) offered for sale in individual packages weighing 5 ounces or less;

"(J) unpackaged baked goods;

"(K) unpackaged bulk or fresh produce; and

"(L) any individual retail outlet if more than 50

percent of the packaged consumer commodities sold therein are sold at retail in whole case quantities.

"(3) The provisions of section 4(c)(2) of this Act shall not apply to—

"(A) any retail establishment which does not make use of an automated optical scanning checkout terminal which identifies and registers item purchase price by recognition of product code symbols;

"(B) any individual retail outlet if such outlet's annual sales of food constitute less than 10 percent of its total gross sales per year; and

"(C) any packaged consumer commodity offered for retail sale by the manufacturer thereof when no other identical or reasonably comparable packaged consumer commodity is offered for sale by the manufacturer at the same time and place.

"(4) The provisions of section 4(c) of this Act shall not apply to—

"(A) any individual retail outlet, which sells or offers for sale packaged consumer commodities, if the total gross sales of such outlet do not exceed $500,000 per year, unless such outlet is—

"(i) one of a number of outlets owned substantially, or whose inventory is supplied substantially, by a single person, partnership, or corporation; and

"(ii) the total gross sales of such person, part-

nership, or corporation exceed $1,000,000 per year; and

"(B) any individual retail outlet which has as its only full-time employees—

"(i) the owner or owners thereof, if there be less than three;

"(ii) the parents, spouses, or children of such owners; and

"(iii) not more than two other individuals.".

SEC. 4. ENFORCEMENT.

(a) Section 7(a) of the Fair Packaging and Labeling Act (15 U.S.C. 1456(a)) is amended by inserting, immediately after "Act", the third time such word is used, the following: "(other than total price and unit price marking regulations promulgated pursuant to section 4(c) of this Act)",

(b) Section 7(b) of such Act (15 U.S.C. 1456(b)) is amended by—

(1) inserting "(1)" immediately after "(b)", and

(2) adding immediately after the newly designated paragraph (1) the following new paragraph:

"(2) Any violation of any of the provisions of section 4(c) of this Act, or of the regulations promulgated pursuant to such section 4(c), with respect to any packaged consumer commodity which has been distributed in commerce or the distribution of which affects commerce, shall constitute an unfair

or deceptive act or practice in or affecting commerce in violation of section 5(a) of the Federal Trade Commission Act (15 U.S.C. 45(a)) and shall be subject to enforcement under section 5(b), and penalties under sections 5(l) and 5(m), of such Act. For purposes of this paragraph, no violation of section 4(c)(1) of this Act shall be deemed to occur, with respect to a retail establishment, unless—

"(A) eight items of the same commodity are not item priced in accordance with such section 4(c)(1), and

"(B) four groups of such eight items are not item priced in accordance with such section 4(c)(1).

If any additional group of items of the same commodity is not item priced in accordance with such section 4(c)(1), each such group shall constitute a successive violation.".

SEC. 5. PROMULGATION OF REGULATIONS.

Section 6 of the Fair Packaging and Labeling Act (15 U.S.C. 1455) is amended by adding at the end thereof the following new subsection:

"(e) Regulations promulgated by the Secretary or by the Commission, as the case may be, under section 4 or 5 of this Act shall be prescribed in accordance with section 553 of title 5, United States Code; except that (1) the Secretary or the Commission, as the case may be, shall give interested persons an opportunity to make oral presentations of data, views, and arguments, in addition to written sub-

missions; (2) a transcript shall be kept of any such oral presentation; and (3) any regulation so promulgated shall be subject to judicial review pursuant to section 18(e) of the Federal Trade Commission Act (15 U.S.C. 57a(e)), in the same manner as is prescribed for the review of any rule prescribed under section 18(a)(1)(B) of such Act (except that section 18(e)(3)(B) of such Act shall not apply).".

SEC. 6. DEFINITION.

Section 10 of the Fair Packaging and Labeling Act (15 U.S.C. 1459) is amended by adding at the end thereof the following new subsection:

"(g) The term 'retail unit price', when used in relation to the contents of a package of any consumer commodity, means the retail price of the contents of that package expressed in terms of the retail price of such contents per single whole unit of weight, volume, or measure.".

SEC. 7. COOPERATION WITH STATE AUTHORITIES.

Section 9 of the Fair Packaging and Labeling Act (15 U.S.C. 1458) is amended by—

(1) striking out "A copy" and inserting in lieu thereof "Except as provided in subsection (c) of this section, a copy", and

(2) adding at the end thereof the following new subsection:

"(c) A copy of each regulation promulgated under section 4(c) of this Act shall be transmitted by the Commission to the Secretary of Health, Education, and Welfare; such Secretary shall thereupon promptly—

"(1) transmit copies of each such regulation to all appropriate State officers and agencies; and

"(2) furnish to such State officers and agencies information and assistance which will further the enforcement of this Act.

It shall be the duty of the Secretary of Health, Education, and Welfare to report to the Federal Trade Commission, for appropriate remedial action, each known or reported violation of any of the provisions of section 4(c) of this Act, or of the regulations promulgated pursuant to such section 4(c).

SEC. 8. CONFORMING AMENDMENT.

Section 12 of the Fair Packaging and Labeling Act (15 U.S.C. 1451) is amended—

(1) by inserting ", the retail unit price, or individual item price" immediately after "contents"; and

(2) by striking out "less stringent than or require information".

SEC. 9. EFFECTIVE DATE.

The amendments made by this Act shall take effect on the 1st day of the 7th month after the date of enactment of this Act, except that—

(1) the requirements of section 4(c)(1) of the Fair Packaging and Labeling Act, as amended by section 2 of this Act, shall take effect on the 1st day of the 1st month after such date of enactment; and

(2) the amendments made by sections 4 and 5 of this Act shall take effect, with respect to the authority to enforce section 4(c)(1) of the Fair Packaging and Labeling Act and to the promulgation of regulations thereunder, on the 1st day of the 1st month after such date of enactment.

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