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UNIT PRICING

You are in the supermarket. In one hand you are holding an 8-ounce box of spaghetti that costs 25 cents and in the other, a 3-pound box that costs \$1.25. You want to buy the most economical package and you don't want to stand there all day trying to mentally divide cents by ounces. What do you do?

Most shoppers face two choices: Make an educated guess on which package gives the most for the money or pick the larger box on the assumption the larger size is always the most economical.

Most of us now also have a third choice. We can read the unit pricing tag on the grocery shelf which gives the price per ounce for each package of the spaghetti.

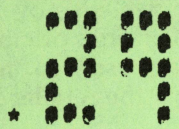
What is Unit Pricing?

Unit pricing is a system of labeling products per unit of measure. The labels may either be on the product itself (meat has been labeled in this way for many years) or attached to a shelf near the product. Its sole purpose, for the consumer, is to help compare prices among products.

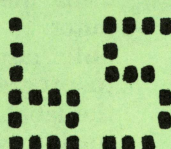
Unit pricing may be presented in a variety of forms. The examples below are typical of unit pricing labels.

The unit of measure depends on the item described. Dry and liquid measures are most commonly used (such as pounds and pints). But the unit may

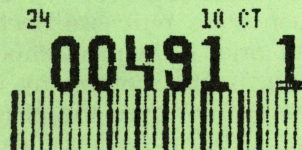
UNIT PRICING LABELS FOR DIFFERENT PRODUCTS

	UNIT PRICE 3.31 CENTS PER OZ
12470 SLI Y C PEACH 24 8.750 OZ	

Unit price labels identify the product, its total price and quantity and the price per unit of measure. They will also generally include a retailer's code.

UNIT PRICE 80.0¢ PER POUND	
13 OZ. INST. OATMEAL CINNAMON 12 39736 .65	

If products are sold by unit of dry or liquid measure, the unit price will be given as price per ounce, or occasionally as price per pint, quart or pound.

UNIT PRICE \$6.00 PER 50 CT.	
24 TASH BAG 30 GAL 10 CT 00491 1 \$1.20	

For products with a count number, such as tea bags and napkins, the unit price will be given per 50 count or per 100 count.

For products on a continuous roll such as paper towels or various wraps, the unit price may be given per square feet.

also be in terms of area (aluminum foil may give its measurement in square feet) or count (paper products may give the numbered amount of product in the package).

In Idaho, unit pricing is voluntarily offered in most grocery stores as a consumer service. Some states and cities have passed legislation making unit price labeling compulsory. Federal legislation mandating unit pricing has also been introduced.

Advantages of Unit Pricing

For the consumer, unit pricing offers definite advantages. In a shopping test administered to college-educated housewives the most economical size product was chosen as the best buy only 50 percent of the time. Unit pricing would help consumers choose the most economical product 100 percent of the time.

This ability becomes particularly important now when many products are packaged in more than two different sizes. Convention dictates the larger size package always gives more for the money and many consumers follow this "rule." However, in many cases, this is an incorrect assumption. Unit pricing removes the guesswork.

By offering more consumer information than currently available, unit pricing will help consumers avoid possible frauds and deceptions in the marketplace. Among these are deceptive price advertising, cents-off coupons with negligible effects and misleading packaging, such as large packages which may contain no more of the product than a competitor package half the size.

This adds up to one point — unit pricing will allow consumers to make intelligent price comparisons among products.

Limitations of Unit Pricing

Unit pricing refers only to the cost per unit of measure of a product and its only purpose is to aid price comparisons among similar products. Unit pricing does not offer complete information on which to base a final purchase decision, nor was it designed to do so.

Unit pricing offers no information on product quality. One brand may be less — or more — expensive than another, but it may also be a poorer quality product. In many cases individual consumer taste alone determines brand preference. The consumer must look to grade labels and other product information for quality indications.

The consumer must also realize price comparisons mean little when similar products are packaged in different forms. We can make an accurate price comparison between two different canned brands of water-packed vegetables, but we can't accurately compare the prices of the same type of vegetable

which comes packed in water, vacuum packed, dried and frozen. In this case, information on the cost-per-serving is usually more helpful.

Unit pricing will show the consumer the most economical product in terms of price, but that product might not be the most economical in terms of individual needs. In a cost per quart basis, a gallon of milk may be less expensive than the half-gallon. But if most of the product will spoil before use, the larger size is uneconomical. Available storage space is another factor to consider.

Unit Pricing and the Retailer

Unit pricing presents advantages not only to the consumer, but also to the retailer. However, there are also costs.

Retailers installing the system have experienced a wide variance in cost. In some chains the system costs \$2,500 per store; others installed it for \$200. Usually, chains already using a computer for a variety of store functions were able to initiate unit pricing at a lower cost. Maintenance costs also vary greatly depending on the equipment already installed. The small, independent retailer is usually the one who could face prohibitive costs. Overall, unit pricing cost is not particularly large when compared to other things offered, such as trading stamps and games.

Most important advantage of the system is that unit pricing increases the consumer's confidence in the store. The retailer and his establishment are perceived as being concerned about the consumer and his interests. These factors tend to increase sales, giving the retailer a competitive edge over the establishment that does not offer unit pricing as a customer service. The computer used to maintain the unit-pricing system also helps the retailer improve his inventory and price controls.

Ironically the Universal Product Code system, initiated by the supermarket industry with little consumer input, may be the single biggest factor in instituting widespread adoption of unit pricing. Stores using the Consumer Product Code must have a computer to keep track of items and prices. This computer also prints price labels, and it is a simple matter to program the computer to print the unit price on the label. The additional cost to the retailer would be small.

Unit Pricing and Decision Making

A system of unit pricing will not radically change everyone's buying habits. Brand loyalty, taste preference, advertising, and individual need will all continue to exert a strong influence on purchase decisions. But, for many consumers, price is the most important factor of all. Unit pricing is one method by which consumers will be assured of accurate and necessary price information for making purchase decisions.