



Analysis / But That's There and We're Here

By [Ora Coren](#) | May 12, 2004 | 12:00 AM

More than a few interested parties would likely be happy to adopt the findings of a study on the effects of the price marking law on the increased cost of products.

The findings play into the hands of the big supermarket chains and the manufacturers, who are interested in the cancellation of the law in order to increase their profits.

Still, it must be remembered that the findings relate to the U.S. market and are not really relevant to the debate regarding the law here.

In the United States, the supermarket chains mark the prices on the products and also bear the marking costs. In Israel, the employees of the manufacturers mark the prices and arrange the products on the shelves, with the cost falling on the companies.

Prof. Daniel Levy, who conducted the study, was unaware of this difference, or of the pressures exerted on the manufacturers to lower prices over the past year. He therefore concluded, before completing his research in Israel, that the findings in the U.S. would be reflected in the study he is doing in Israel, albeit to a lesser extent.

The American study was also based on a comparison between product prices, while the Israeli study is based on general price indexes. It is reasonable to assume that Levy will find it difficult to prove that the connection between the changes in the indexes and the changes in the product prices can be attributed to the implementation of the law at that specific time.

The growing competition in Israel between the big supermarket chains and the private supermarket chains has created continuing pressure on the manufacturers to lower prices. The chains want to be able to sell products at the same price as their competitors without harming their profitability - and perhaps even improving it.

In any event, prices will not be lowered following a cancellation of the price marking law. It will instead result in the consumer being unable to compare prices at home between identical

products purchased at various stores, so that he can choose the store at which to make his next purchase. The cancellation of the law will enable the supermarket chains and the manufacturers to raise prices, practically unhindered, and the consumer will pay much more than the surcharge he would pay for the cost of implementing the law. This is the main factor behind the pressure being exerted on the Ministry of Industry, Trade and Employment to cancel the law. Still, the ministry, which is currently examining alternatives, will find it hard to rely on the results of a study that relates to totally different market conditions than those in Israel.



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