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Price Tagging May Drive Up Prices

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The item-pricing law, which came into effect in 1998 to identify the actual price of goods, may have raised prices on consumer items by up to 10 percent, according to new research conducted by Bar-Ilan University Prof. Daniel Levy, in conjunction with US and Canadian universities. Levy's analysis will be presented Tuesday morning at the School of Economics at Bar-Ilan.

Based on analysis from 20 supermarkets in New York, New Jersey, and Connecticut, Levy's team found that prices of goods in stores facing similar item-pricing legislation were higher than in stores or markets not requiring such measures.

The reason for the price hike in most cases is the increase to retailers' operating costs, caused by the continual necessity to update prices.

Even though placing stickers on individual items only takes a few seconds, the weekly change of 5% to 15% of the prices on 25,000 items sold by large retail chains increases manpower costs, which are passed on to the consumer.

Despite claiming that the item-pricing law reduces mistakes by consumers, Levy concludes that the law may cost more to consumers than they actually benefit. Having a price sticker on individual products may be beneficial for consumers comparing costs of certain items, yet Levy notes that the law ignores the cost to retailers in providing the service, leaving most supermarkets to place it on their consumers, a fact he does not object to, as long as consumers are aware of the phenomenon.

Relating his findings to Israeli supermarket chains, Levy doubts the local consumer is aware that prices on items have increased due to the "stickering" of each item.

Former industry and trade minister Natan Sharansky led the altering of legislation expanding the labeling of prices on almost all packaged goods in supermarket chains and convenience stores. Despite the protests of many retailers, compliance is nearly 100% among the large chains.

While no one expects supermarket chains to simply absorb increased operating costs, Levy and his team recommend a "unit price law," requiring a shelf price tag, including product price per gram or liter, thus allowing consumers to compare costs between various product lines, while reducing operating costs for retailers.

Link to the article: http://www.highbeam.com/doc/1P1-94606133.html