THE WALL STREET JOURNAL.

LETTERS

Item Pricing and Overcharging in Groceries

Updated: March 29, 2007, 12:01 a.m. ET

In his March 10 op-ed essay "A Penny Not Saved," Paul H. Rubin* asserts that state laws requiring goods to be individually price-marked are a very expensive way to protect consumers from insignificant overcharges on groceries and that such laws should be abolished. I disagree.

As evidence, Prof. Rubin cites his own study comparing grocery prices at New York stores, where price stickers on goods are required, with the prices charged in New Jersey, where item pricing is not mandatory. The results: On average, he says, products cost 20 to 25 cents more in New York. He says that is too high a price to pay to protect against only a one-cent on-average overcharge per item, as found in a 1998 FTC scanner-accuracy study.

Any savvy shopper knows that prices vary from neighborhood to neighborhood, let alone from state to state, even within the same chain. To suggest that item pricing is "the" cause of the price differential between New York and New Jersey supermarkets is totally unsound. Data cited in the professor's 2004 study indicate that it costs the average supermarket $14,650 a year to initially item-price goods, and that five million items are sold at the typical store annually. That works out to only three-tenths of one cent per item as the base cost of item pricing. If stores are charging 25 cents more per item in item-pricing states, it is not the sticker sticking it to shoppers. Also cleverly obscured is the fact that the average overcharge found in the FTC's scanner study was actually $3.20 -

- a rather significant amount -- and not the manipulated figure of one cent as stated.

The study's authors also suggest that supermarket prices could drop by 10% if item pricing were eliminated. Even if the $14,650 in labor savings to be reaped per store cited in the study were tripled, spreading that saving over millions of items would at most allow prices to fall by a penny. More likely, any savings would go directly to the supermarket's bottom line rather than into consumers' pockets.

It is asserted that the high cost of changing prices dissuades stores from putting items on sale. To the contrary, for the week of Feb. 23, for example, in two Stop & Shop stores used in the study, one in New York and one in New Jersey, more than 300 sale items were advertised in each store in almost-identical 12-page circulars.

Having a price on the item is the way four out of five shoppers say they prefer to determine its cost, according to a recent Massachusetts study. Comparing prices within the store is also easier. Adding up the cost of items in one's cart is facilitated. At home, without prices on the items to compare with, it is impossible to tell whether the price charged on the register slip is correct. Furthermore, consumers' price-consciousness is diminished. If shoppers can't check their cupboard before going to the store to see what price they paid last time for a particular item, how can they spot a price increase or a particularly good value?

Does it cost money to mark prices on goods? Certainly. The real question is whether consumers are willing to pay that price in return for the benefits that price stickers provide. In Massachusetts, the answer is a resounding "yes." There, three out of four shoppers said they would be willing to pay two or three cents extra per item to have the price marked on it.

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(The writer is a former assistant attorney general in consumer protection in Massachusetts and the primary author of that state's food-store item-pricing law.)

*The study discussed in Paul Rubin’s op-ed essay was coauthored with Mark Bergen, Daniel Levy, Sourav Ray and Benjamin Zeliger and will be published in the ***Journal of Law and Economics***.

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