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Hearing on Item Pricing

Assembly Labor, Employment, and Consumer Affairs Committee

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HEARING ON
ITEM PRICING

San Diego, California
November 17, 1980

Bill Lockyer, Chairman

Consultants
Maria Husum, Committee Secretary

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CHAIRMAN BILL LOCKYER: Welcome. We're pleased to have you all with us. Good morning my name is Bill Lockyer from Alameda County and I chair the Assembly Committee on Labor, Employment and Consumer Affairs. I'd like to introduce to you two members: one member of the Committee and one who is here because it's his special interest and then we expect to have other members of the Labor Committee joining us as they work out their transportation problems this morning. We'll expect further participation later.

First of all from Los Angeles-Hollywood area—the gentleman who introduced the bill that we're partially dealing with today to continue item pricing, Assemblyman Herschel Rosenthal on your far right. Herschel is a member of the Rules Committee in our house, one of the influential fellows who of course, has a deep interest in this particular subject matter. Next to him is Assemblyman Jim Ellis, now Senator-Elect Jim Ellis, from the area in which we're currently meeting—San Diego. I guess the whole time Jim was in the Assembly he was on the Labor, Employment Committee and has been one of the hard working thoroughly prepared, energetic members who is now going to bring some of his talent to the State Senate.

We'd like to begin. I guess the first person to testify is Lynn Morris from the State Consumer Advisory Council and also Steve Fishbein from the Department of Consumer Affairs.
Lynn, good morning. Our procedure is to ask people to sign in when they're testifying so we have a complete record of names and addresses in case we miss anyone. You'll see an agenda at the front and we have sort of an overview from the Department and the Advisory Council and local government participation, comments from the industry and public testimony that deals just with the technology we're talking about, labor and any members of the public, a variety of consumer groups and so on that wish to speak.

LYNN MORRIS: I almost feel I don't need to speak with all the words in picture today. Good morning, my name is Lynn Morris and I'm the executive secretary of the State Consumer Advisory Council. The council is an advisory committee appointed by the Governor, statutorily mandated to make recommendations on consumer concerns. Item pricing has certainly become one of those concerns. The council believes the best way to represent consumers is to listen to what they have to say. We've spent the past year holding public comment periods in major cities throughout California. We've spent endless hours surveying and meeting with business, labor, community and public interest organizations. We have solicited consumer concerns from local government officials and city and county complaint assistance programs.

The major concern which has been expressed loud and clear is the need for tools to deal with the rising cost of inflation. We've heard it all over the state. Item pricing and the awareness that comparative shopping provides are such tools. There are no guarantees that the removal of prices will result in any savings being passed on to consumers. Consumers want items in a supermarket
to be clearly and individually price marked. They want to see the price of the item at the time of selection, at the time of sale, and again at home for price verification and comparison. Most shoppers seem to be pleased with the electronic scanners and especially with the detail receipts that they provide. They are not opposed to technological advancement.

As you know, local item pricing ordinances have been passed in 57 cities and 15 counties throughout California as is evidenced on the map before you. This has been a desperate attempt on the part of citizens within the community to retain the long-time protection that item pricing has provided. Local government officials have responded overwhelmingly to the desires of their constituents. Local ordinances, however, are not the answer. Many of them are technically different, details of which will later be pointed out to you. They do not provide uniform protection. It's confusing for both consumers and the industry to deal with this patchwork quilt type of regulation. Local ordinances are also much easier to peel off and become weakened by exemptions. This has already begun to happen in several Bay Area cities and someone later will address that point today.

Industry at one time also at least recognized the need for item pricing. Early in 1974 when check stand scanning first became operational in supermarkets in North America, the grocery industry's own 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. They established a public policy subcommittee to serve as a forum for
discussing the issue. In order to gather necessary facts on the 
effects of price removal on consumers, the subcommittee sponsored 
a major research project which was conducted by researchers at 
Michigan State University and the University of Vermont. The results 
indicated clearly that shoppers in what they called "prices-off 
stores" did experience a measurable reduction in price awareness 
and consciousness compared to shoppers in conventional stores. The 
public policy subcommittee recommended to the industry at that time 
that scanner stores follow the same traditional approach to individual 
item price marking as was done in conventional stores.

Obviously, you're going to hear many arguments on both 
sides of the issue today, but it's important for you to remember that 
this is a public versus special interest issue. Consumers, all sizes 
and shapes, have spoken out in their local governments around the 
state not only asking for immediate local ordinances to maintain 
item pricing, but at the same time endorsing the need for a state law. 
We are not asking for radical changes, we are not asking for excess 
government regulation. Consumers have the fresh new spirit of 
conservatism. We want to maintain the old traditional way of com­
paring prices and shopping with awareness. Thank you.

CHAIRMAN LOCKYER: Mr. Fishbein.

STEVEN FISHBEIN: Chairman Lockyer, Assemblyman Rosenthal, 
Senator Ellis, my name is Steve Fishbein. I am the Legislative 
Coordinator with the Department of Consumer Affairs. We've circulated 
a statement for the record and it's available and it's brief.

The Department continues to support uniform item pricing 
in California. Simply put, item pricing has always been a very 
basic component of the retail market place. As we all know, consumer 
resistance to item pricing's proposed elimination has been great.
This is evidenced by the recently enacted ordinances in 57 California cities and 15 counties. I might also add that I haven't seen too much consumer and public activism as I've seen here today on too many consumer issues in Sacramento.

Today's inflationary economic environment, in which up to one-third of a household budget may be allotted for food purchases, necessitates that price information be available to the consumer at the time of selection. Item pricing facilitates the comparison shopping, provides an opportunity for price verification at checkout, and allows consumers to continue their price awareness at home which is very important too. Such price awareness is a key aspect of good shopper behavior. In addition, consumer price awareness is crucial to an unfettered and free functioning marketplace.

Item pricing proponents should not be viewed as anti-technological. Our Department has continually supported item pricing and we've also stated it's very compatible with computer scanning and the Universal Product Code. In fact, we applaud technological advances and encourage their growth in building a more efficient economy.

However, one difficulty with total reliance on supermarket computerization, without any item pricing, is that an environment could be created which is more conducive to frequent upward re-pricing of items. Re-pricing is already a common practice which consumers complain to us about very frequently. In fact, legislation has been brought before this Legislature regarding problems associated with re-pricing and remarking.
We have recently met with the California Association of Retailers and are open to a continuing dialogue in this area. At the same time, we maintain our position that retail item pricing is a vital tool for the public to adequately contend with continually escalating prices. We feel it would be unwise to eliminate essential price information without any compensating benefit to the public. Thank you very much.

CHAIRMAN LOCKYER: Question? Thanks Steve. Okay, we have some people from local government and also Consumer Affairs officers who are going to speak next and I guess partly because we are visitors in her city, it is appropriate that we start with Councilwoman Killea from the San Diego City Council.

COUNCILWOMAN LUCY KILLEA: Thank you, Mr. Chairman, Committee members. I appreciate this opportunity to speak to you. I sponsored a city ordinance last spring to retain item pricing and that ordinance did pass. We do have some provisions in that; however, it does have a sunset provision which has only a year's life unless we can renew it with the hope that there would be legislation at the state level and to relieve us of that responsibility, we feel it should be at the state level. The other provision was that the major chains would be allowed to have one demonstration store available to indicate how they could operate with the automated pricing without item pricing. None have chosen to take advantage of that yet so we have no comparison locally. We had thought this might give us an opportunity to give a comparison on it. Needless to say, the consumers, individuals, and organized groups in San Diego are very much in favor of our retaining the ordinance.
and do hope that state legislation will eventually replace it.

Thank you.

CHAIRMAN LOCKYER: Your ordinance runs until when?

COUNCILWOMAN KILLEA: I think it would be next summer.

ASSEMBLYMAN JIM ELLIS: Lucy, you said we don't have a store in San Diego.

COUNCILWOMAN KILLEA: We have none that have been with the scanners without the item pricing. No we have none.

ASSEMBLYMAN ELLIS: Do we have scanners at all?

COUNCILWOMAN KILLEA: In the county. I'm not sure whether they're in the city or not. There are some.

ASSEMBLYMAN ELLIS: What about the price club? They have a really different setup. Does your ordinance cover them?

COUNCILWOMAN KILLEA: That is a club and that might make a difference. I'm not sure. I'd have to check with our city people and see the details of it. But that is a different kind of thing; in other words, it's a membership kind of thing and that may make a difference on it. I don't know.

ASSEMBLYMAN ELLIS: You're not sure if the ordinance covers them?

COUNCILWOMAN KILLEA: I think it would not because of their status as a club. That's my understanding.

CHAIRMAN LOCKYER: Thank you very much. Next is Harriett Wieder who's been most active in this effort in both her county, Orange County, in which she is a supervisor and in other parts of the state. I think you have a number of friends who came along today.

SUPERVISOR HARRIETT WIEDER: Yes, I'll identify them. Thank
you Mr. Lockyer. Mr. Chairman and honorable committee members, my name is Harriett Wieder and I'm Supervisor in Orange County. I am here today to express our county's formal position in support of AB 2174.

I have been joined today by about 200 other concerned consumers from Orange County and 50 private automobiles and four buses that brought them here who have made this trip to San Diego to add their voices to mine in favor of a statewide mandate for item pricing of grocery goods.

Although there are almost 2 million people living in Orange County today, I can assure you that those who have traveled with me here are a most representative sample of the way Orange County residents feel about this issue.

I say this with confidence because twice this year the Orange County Board of Supervisors has held public hearings and before adopting an ordinance mandating it on item pricing at those hearings, we made sure that we got the public input and that public response in favor of item pricing was very overwhelming. But significantly there was no opposition voiced by consumers.

Most revealing of all, is an opinion survey conducted statewide in September of 1979 by Public Response Associates, Inc. of San Francisco. They concluded that 76% of those responding from around the state felt item pricing was very important. In the Los Angeles/Orange County area, the response was 77% in support of item pricing.

Who are these people who favor item pricing? Let me enumerate: They are senior citizens and physically disabled persons who have difficulty or are unable to read the prices marked on high
or low shelves; they are grocery shoppers of all types who are entitled to know the price of the goods they are buying when they are standing at the checkout counters. Without item pricing, we are at the mercy of the scanner, with no way of knowing if we are being fairly charged at that point of purchase.

Now is this concern only imagined? Once again, I need only to turn to the hundreds of persons who have signed petitions and spoken out at city councils and at boards of supervisors meetings with specific complaints and evidence of being overcharged. But there's even more compelling evidence. In a recent packaging industry newsletter named Symbol Technologies, experts in the Universal Product Code Technology estimated, and this is significant, that as many as 10% of the goods imprinted with those little black lines do not scan properly. The newsletter stated that the Universal Product Code could be a financial "deathtrap" for packaging companies if high imprint quality standards are not observed. In view of this uncertainty about the electronic scanning system by the industry experts themselves, is it reasonable and is it fair for major markets to remove prices from their goods?

Finally, the supporters of item pricing are those who reflect with insight about how our economy works. We are told that by letting scanners do the work and by not pricing goods individually, fewer grocery workers will be needed and, therefore, grocery stores will be able to lower their prices. How often have we heard that? The thoughtful person, though, who does understand our free market system, and I want to tell you the shopper, the consumer, and the homemaker is the best economist around, knows that the most reliable
way to lower prices is to strengthen competition.

Without item pricing, comparative shopping between commodity brands is seriously hampered, because the buyer must rely on his or her memory in order to compare prices between brands on one end of a long aisle and another. For someone buying a full basket of groceries, it is extremely inconvenient to be running up and down the aisles to compare prices, assuming that they are accurately marked on the shelves in the first place.

Every elementary economics textbook that I know of indicates that one of the requirements of a freely competitive economy is that consumers have as much knowledge as possible about the quality and price of the goods they purchase. This would seem to compel item pricing.

Now, why must there be a statewide, rather than merely a local legislation mandating item pricing? This is why I'm here before you now.

As I mentioned earlier, the Orange County Board of Supervisors has adopted its own item pricing ordinance, with a sunset clause, which protects consumers in our unincorporated communities, which in terms of population, you would want to know constitutes about 30% of the county. However, out of the 26 cities within our boundaries, only 8 cities have passed their own item pricing ordinances to date while several other cities are presently considering such measures. Now, this is a great drain on the time of local municipal-elected officials and local government staff and more costly because, quite simply, the need for item pricing does not vary one jurisdiction throughout the state to another. Shoppers are the same
from Modoc County to San Diego County: we all want to know the price of the goods we are buying when we are at the checkout stand. Eventually, I am sure, item pricing ordinances will be adopted by almost all cities and counties in the State, but that may take years and a great deal of cost to the consumer and the taxpayer. It should be clear to everyone that the vast majority of consumers want it now.

To conclude, let me make a final comment on the vast groundswell of support for state item pricing legislation. This great display of support is in itself a justification for AB 2174, for it evidences a traditional American principal that we, as elected officials cannot ignore: that the will of the majority must be the paramount criterion affecting our decision-making.

Thank you, Mr. Chairman and honorable Committee members for this opportunity you've given us to express our point of view and in case you've missed a word I have some copies of my remarks.

CHAIRMAN LOCKYER: Harriett, what is the duration of your ordinance in the county?

SUPERVISOR WIEDER: The spring of '81.

CHAIRMAN LOCKYER: Okay, thank you.

ASSEMBLYMAN ELLIS: Did your testimony include whether or not you're taking a position on the scanner itself or is it simply the item? You don't care how they total it up as long as it has the price on each item, is that correct?

SUPERVISOR WIEDER: No, Assemblyman, State Senator-Elect. I think the scanner is the best thing since sliced bread. I don't want to do away with it, but don't take anything away from me either.
ASSEMBLYMAN ELLIS: So, the scanner's Okay?

SUPERVISOR WIEDER: The scanner's fine. The scanner is probably a very efficient way for the industry to run it's operation, but why take away from me for that reason? I'm just delighted that they're getting so efficient.

CHAIRMAN LOCKYER: Kathi Hamilton from the Stanislaus County Consumer Affairs Office.

MS. KATHI HAMILTON: Good morning Mr. Chairman and members of the Committee and staff. I'm Kathleen Hamilton, Director of Consumer Affairs for Stanislaus County. I'm also here this morning representing the California Consumer Affairs Association which is the statewide affiliation of the local consumer protection agencies in California. As you've already heard this morning, perhaps the most significant outcry from consumers this past year has been the clear demand for protection of a most fundamental consumer right -- the right to know the price of merchandise we want to purchase. The creativity and energy of real people in over 60 counties and cities has produced a host of local ordinances, which represent the undeniable will and preference of consumers. Further tests and studies are simply not necessary to determine public preference on this issue. The public wants item pricing, and in the absence of state response to that need, they've gone to the extraordinary and unusual length of ratifying local ordinances. And while these local ordinances have become critical cornerstones of this important consumer right to know cost, local government continues to feel that this kind of protection most properly belongs with the State. It seems appropriate that retailers be subject to a uniform item pricing regulation, and
If further, it's appropriate that all consumers in this state be accorded equal protection. The need for uniformity is one very relevant issue before you here today. The array of local ordinances that have been adopted are not identical and offer a wide range of strengths and weaknesses. This lack of uniformity serves neither the industry nor the consuming public as well as it might. Specifically, the key differences between these local ordinances fall into some particular categories. Some of them have expiration dates, some of them do not. You've heard that San Diego and Orange County ordinances have expiration dates; so does the Los Angeles City ordinance and the Los Angeles County ordinance. In most cases, we're looking for expiration of these local ordinances within the next few months. And in those counties such as the one I represent, Stanislaus County, where we don't have an expiration date, there still has been a very clear message from the Board of Supervisors that they're in the business of item pricing protection only until the State steps back in. They don't perceive this as their primary role. Another key difference between some of the ordinances has to do with exemptions that have been allowed. The San Francisco County ordinance has been used as a model ordinance before most of the local municipalities considering these ordinances. That ordinance did not include an exemption for end-of-aisle sale items and because that ordinance was used as a model in many communities, many of the subsequent local county ordinances also do not include that exemption for sale items. Stanislaus County does not exempt sale items from its item pricing requirement.

The other type of exemption that is provided for in many of these local ordinances has to do with specific stores which are
not required to item price merchandise even if they have scanners, and these vary. Los Angeles County allowed one exemption, one store in the unincorporated area of the county and the Department of Consumer Affairs there has been asked to monitor that particular experiment. The question of who monitors these exemptions is another key issue we have to consider. Having previously been employed with the Los Angeles County Department of Consumer Affairs, I know that they lack adequate staff and resources to do the kind of monitoring job that we really need to see done to analyze the practical experience with that exemption. Los Angeles City has allowed 15 exemptions, one in each council district. The City of Oakland took another approach. They've allowed stores that will sell at 20% below the price in another store to not item price, even if they're using scanners. Again, we've got a real serious question: Who's monitoring that; who's doing the price comparison; and who's going to go in and say "You're not selling 20% below; get the prices back on those packages?" Orange County also allowed an exemption for stores. Each store owner is allowed to exempt one of their stores from item pricing. I'm not sure what the provisions are for monitoring that experiment. So we have a wide range of exemptions that have been allowed to exist. I think there's a real key issue in something to look at with regard to the issue of allowing stores to sell below comparable market price to be exempted from the ordinance because one of industry's favorite arguments for item pricing is that they want to get the price of food down to protect consumers and so they're promoting a no frills kind of supermarket experience. I'd like you to know that consumers in California support a no frills shopping
alternative and we support the scanning equipment. We don't consider price information a frill. Stores that want to offer that kind of frill-less shopping can give you opportunities to bag your own groceries, they can have you shop out of cartons, they can take this food barn approach, but we'd still like to see the prices on those goods.

One of the other differences between the local ordinances, and it differs from the state's previous law, has to do with penalties. The state law originally provided for civil sanctions for violations of the item pricing law. Most of the local ordinances now provide for minor criminal violations ranging from various infractions to various misdemeanors with the more stringent possibilities for violators incurring a $500 misdemeanor fine and six months in jail.

The Los Angeles City ordinance, it's my understanding, actually allows alternatives to item pricing. They haven't actually said, "You've got to have item pricing." They've said, "You have to have item pricing or shelf pricing and/or provide consumers with the tools to mark their own prices." I think you've got to understand those distinctions between the ordinances because what it means is that we really don't have item pricing throughout the state and what we're still looking for is a good strong, solid uniform statute.

In my community in Stanislaus County, we have a situation which is going to be repeated. The county has adopted an item pricing ordinance, but the major city in our county, Modesto, where we have the only store with a scanner in the county, has declined to adopt an ordinance up to this point. They'll be considering it within the next couple of weeks, but because they're coming at the
tail end of this proliferation of ordinances they're subject to a
great deal of pressure and it's questionable whether or not consumers
in the City of Modesto are going to be protected the way consumers
that shop in the unincorporated areas of my county will be. Okay,
you've heard, and you're going to hear today, the essential argu-
ments in favor of retaining item pricing, the inadequacy of shelf
pricing, the consumer's inability to comparison shop within a store
if they don't have item pricing, and the consumer's inability to
combat a potential computer error when they check out at the check
stand.

I'd like to raise some other issues which you may not hear
addressed today. I think we need to look at the abyss that will be
created in the supermarket if we don't have an item pricing statute;
what are the alternatives to item pricing if we're not going to get
an item pricing statute and what can we really expect industry to do
if we don't impose an item pricing requirement? Industry has said
they'll shelf price. They've said that consumers can rely on shelf
pricing.

Computer use and scanner use in the stores will create a
situation where retailers will potentially be able to raise the
price of grocery commodities within a matter of seconds within the
store. Does this mean that consumers will be subjected to repeated
and frequent price increases and how are we going to respond to that
practical reality? How are the shelf prices going to reflect those
changes if we don't look at legislation in those areas in consort
with item pricing. Do we have a situation where industry's going
to say they'll shelf price, but in fact they're going to be raising
prices that the computer will pick. But who's going to change the shelf prices? Consumers will still be picking up items off the shelf that may not reflect the price that the computer's going to pick up.

I think there's another question we really want to look at and that is why has the Grocer's Association and the Supermarket Retail Industry been so doggedly opposed to something as fundamental and fair as item pricing? I would like to suggest to you that the reason is that if they item price, it cuts into their profits, and it's that simple.

The Legislative Analyst for the State did a report a couple years ago analyzing the practical impact of item pricing versus not item pricing. That Legislative Analyst report states the most noticeable benefit of the scanning technology may not be so much its potential to reduce consumer food prices significantly as its potential to raise the Retail Food Industry's return on equity. The Federal Trade Commission reports that the food retailers rate of return has been 50% higher than other retailers, 20% higher than food manufacturers, and about 13% higher than all other categories of manufacturers. The Joint Economic Committee of Congress estimated that supermarkets overcharged customers by more than $660 million in 1974 because consumers were forced to shop where a few markets had monopolistic control. These points are salient, I believe, because they demonstrate the Industry's dedication to profit, their inattention to public interest, and they lend credence to the distrust and fear felt by consumers when they're asked to blindly trust the industry to continue to protect their pocketbooks.
I think that we also want to look at what the Industry has done throughout the course of this discussion. Mr. Jan Charles Gray of Ralph's, who you'll be hearing from later, has made various points at various times which aren't consistent. At the Weights and Measures Convention last summer, he said we want the free enterprise system to operate here; we want the freedom to let consumers choose; we'll keep the prices on and yet we want the freedom to take them off if we want to. Well, when pressed at that conference, he was asked, "What is Ralph's really going to do? "If we remove item pricing legislation, what's really going to happen?" Mr. Gray said that it was Ralph's intention to take the prices off. It's interesting that the Industry would have us believe that that's the way to bring consumer food costs down because Mr. Gray also said, "Well, you can't expect food prices to go down with the use of shelf pricing." So, we have some double talk here that's confusing and it makes consumers unwilling to leave this thing in an abyss of regulation.

Ralph's Grocery Store also did another interesting thing and it reflects on the price consciousness of consumers when they're asked to shop in a store without prices on the cans. Usually when consumers see a store brand, there's a presumption that it's priced at a lower price than a name brand. Ralph's Grocery Store conducted an experiment to test consumers' price consciousness. In a store where they had removed prices, they decided to raise the price of their own brand of orange juice, and as I said traditionally, consumers would presume that cost would be less than another name brand. Ralph's found that consumers did not notice the price hike and that they continued to buy the product. As a result of that study, Ralph's
permanently raised the price of their orange juice on a chainwide basis.

I'm going to close, focusing a little bit on this economic issue. Mr. Ray Bonner, who was with the San Francisco District Attorney's Office, raised a point and has articulated better than I can, so I'm going to borrow his words. He said, "Considering how essential ready access to price information is to inflation beleaguered consumers, it is somewhat disingenuous for the supermarket industry to invoke inflation as the justification for taking prices off food." Thank you very much. I'd be happy to answer any questions.

CHAIRMAN LOCKYER: Thank you. Kathie Klass from Santa Cruz County is next. Again, let me apologize to the people who haven't been able to find a seat. We did not expect as many attending as did and are delighted that you came and I'm sorry we don't have a larger place. We'll do our best to point out to you that there are some vacant seats if you'll just go ahead and slide into those and there's a few up here if someone wants to come up here and sit.

MS. KATHIE KLASS: Good morning Mr. Chairman and members of the Committee. I'm Kathie Klass from the Santa Cruz County Consumer Affairs and I'd like to begin by letting you know that since I've been in consumer protection, this is the first time that I've seen consumers as upset about an issue as they are over item pricing and they have come out throughout the State to testify at hearings like this at the local level.

Like most consumers, I am looking forward to the computerized scanners and faster checkout and the itemized receipts, but
my most important shopping tool is item pricing and I use it throughout the store. Store personnel stocks shelves and stocking shelves goes hand in hand with item pricing. I think to do a proper job of shelf pricing will be more costly than item pricing and if I had to give up one, I would prefer to give up shelf pricing to item pricing, because I very seldom find that that is accurate.

There are four complaints that I have received over the years in my office having to do with item pricing and one of them is that shelf prices are often moved either intentionally or by accident. My former boss who was Sealer of Weights and Measures for Santa Cruz County for about 25 years was in the grocery business before and one of his major gripes used to be that the kids loved to move shelf prices and they continue to do that today. I was probably at fault when I was a child myself.

Shelf prices are often found in different locales than the item they're representing. Shelf prices are often inconsistent with current prices and we're allowing this to be even more so with computers. Computer pricing can be changed in a matter of minutes, whereas, shelf prices take a considerable amount of time and people with vision impairments and senior citizens have difficulty reading shelf prices where item prices aren't as difficult for them to read. It was years ago that we experienced the inflation rate that we're experiencing today and prices in supermarkets were fairly consistent, maybe changed a couple of times a year. For anybody who is in a supermarket today, we know that prices of items change on a weekly basis so there's no way that consumers can get a handle on what an item costs, so that we're asking them to memorize something that's almost impossible for them to do.
Consumers like to comparison shop. They like to be able to take their product throughout the store and since products are at shelf ends or in areas where consumers will see them when they're on special, consumers like the opportunity to look at the items they've already picked off of another shelf and compare with the shelf end. They like to take their itemized receipt home and compare it with the items that they brought home. They also like to go home and compare newly purchased items with old purchased items. This they can't do because they don't keep receipts, but all items manage to retain their item pricing.

There's a big argument that doesn't hold true in a community in California with four cities and a population of 200,000. This is a small community. There are rural communities in California and consumers usually do not have the choice of where to shop like they do in the bigger metropolitan areas, so the argument that they can go elsewhere if there isn't item pricing does not hold true in Santa Cruz County and other small counties in the State.

In Northern California, there are approximately 12 counties and 18 cities with item pricing ordinances. As Ms. Hamilton mentioned, they're all slightly different. In Oakland where they have food barns, they're in the process of putting a task force together to study and see how that's working, but that's been into effect for some time and the task force still isn't off the ground to check up on the effectiveness of the food barn's consistency with 20% less in food costs. I personally feel that one ordinance statewide is a lot easier for the food industry to comply with than 55 or more which is now the case.
In closing, item pricing is not a frill! It is the basic right of every consumer to know how much an item is going to cost! Thank you very much for this opportunity.

CHAIRMAN LOCKYER: Thank you Kathie. I have a note from Sherry Baum about the Orange County group. When I say the Orange County group, there may be several, although we've heard from Harriett a little earlier, of course. How many people were there in that contingent that had hoped to testify?

LADY IN AUDIENCE: Three hundred or more.
CHAIRMAN LOCKYER: No, how many had hoped to testify. Do we have that worked out?

LADY IN AUDIENCE: About 4 or 5.
CHAIRMAN LOCKYER: You're not going back right away are you?

The only thing I'm trying to do is, to be fair, to make sure in the morning that we have both sides present their testimony.

LADY IN AUDIENCE: We have almost 100 of them standing.
CHAIRMAN LOCKYER: I know that's wonderful; I'm sorry we don't have more chairs.

LADY IN AUDIENCE: We have reservations to go shopping and they're all standing out in the hallway -- loads of them.

CHAIRMAN LOCKYER: I think it's very important. I don't want to interfere with anyone's lunch or shopping. In this town when they shop, they will have prices on the cans if that's where they're going to shop, but it just seems to me to be fair that we have some industry testimony in the morning to get both sides; so I don't want to cut anyone off. I don't know how long they will be; there are six of you on the agenda. Could you industry folks give me a time estimate?
LADY IN AUDIENCE: How about three of them and three of us?

CHAIRMAN LOCKYER: Well, there already have been six of them, that is us, or whatever. All of the testimony so far has been from proponents of the law and that doesn't seem too fair. I'd like to run a balanced hearing.

GENTLEMAN IN AUDIENCE: Mr. Chairman, I believe the testimony you have heard is basically from the political section. Whether they were proponents or opponents is a statement of fact. It did not have anything to do with the consumer and the industry per se. I think we should start out equally right now.

CHAIRMAN LOCKYER: It's an interesting interpretation of equality. My sense of the timing, frankly, is that we're going to be able to hear from everyone before we break if we run a little over or something. That's what I'm hoping we can do. It will depend on how verbose we get, so let's begin with some industry testimony and we can jump back and forth, depending on how the clock goes. I just think it's important that we be fair to both sides. Now, on the list is Mr. Howe. Are you first Mr. Howe?

MR. LES HOWE: Mr. Chairman, members of the Committee, I'm Les Howe with the California Retailers Association. I have a prepared statement which I will try to move through rather rapidly, but I would like to follow close enough so that the factual information we present is fully recorded. I certainly appreciate the way that this Committee can draw a crowd. You do very well.

CHAIRMAN LOCKYER: It wasn't the Committee, it was the people.

LES HOWE: Thank you. You've heard from the proponents of
the mandatory item pricing law. They're asking for a State law in terms of these grocery stores with a computerized checkout system -- the so-called scanning stores -- and you will hear from others. They argue that the State Legislature should have retained the State law which expired on January 1, 1980 and that it should be reinstated.

The California Retailers Association, whose members account for over 90% of the scanner installations in the State would like to point out that after only one defeat following two previous successes in the Legislature, mandatory item pricing advocates, the retail clerks unions, the State Department of Consumer Affairs and some consumer groups, elected to obtain such restrictive laws via local ordinances rather than through the State Legislature.

In other words, they've adopted a local option approach and they've done rather well too, I would say. Statewide, as I show here, the results are as follows: You've heard the number of ordinances for the whole State, of which 72 have been adopted representing 47.7% of the population. I want to point out one thing that hasn't been mentioned -- 19 ordinances have been proposed in various jurisdictions and have been rejected which represents almost 9% of the population. That leaves roughly 381 counties and cities in the State that have not considered this issue to date; they have not been heard from as yet, but I think what you can see is that a substantial portion of the State is now covered insofar as they are shoppers and under local mandatory item pricing laws.

Now, I'd like to narrow this a little further, particularly for the group here. In San Diego, Orange and Los Angeles Counties, you have a combined (for those 3 counties) 36 ordinances that have been
adopted, with 64% of the population that are now under mandatory item pricing laws. Here in San Diego, particularly, you have, and that's why I wonder why this is an issue in San Diego, 82% of the population covered by local item pricing laws. In Orange County, 37%; and in Los Angeles, County 66%. So you can't say, no matter what your views are on the subject, that the local ordinance process hasn't brought the proponents' wishes insofar as a good portion of the State is concerned. If you look at it from the standpoint of the Committee members, for example, Mr. Rosenthal is not on the Committee, but I think you would find that his entire district is covered by local price marking ordinances. If I'm wrong, Mr. Rosenthal, tell me.

So what I'm asking, in a sense, is why is this a huge statewide issue when the people that want this protection have acted to do so and have done it on a full-scale basis?

Now, as far as our position on this issue--starting back in 1975 we have been consistent. Not everyone has agreed with us, but we've been consistent in asking that these scanning grocery stores and their customers be given the opportunity to decide this issue without premature governmental action. In other words, how do you find out how people are going to react in the absence of price marking if you have a law that says you must price mark? How do you know what those consumers, those shoppers are going to feel?

We've asked consistently, not only at the state level, but also at the local level, to each level of government before they take any action to see to what extent scanning grocery stores materializes within their jurisdiction. I have an Exhibit C, which is the yellow one indicating the kind of breakdown of the coverage in respect to
the food industry in California. What you find out today is that there are only 360 scanners out of 3,200 supermarkets in the whole State, which is about 11.2%. In Exhibit No. 2, you see whether or not these stores continue to price mark. What we find, and my research on this shows, that 77 out of the 172 scanning stores and areas without ordinances have continued to price mark voluntarily. So it isn't the fact you don't have an ordinance, you don't have a state law, that all the firms are going to decide they're going to strip the prices off. Third, see how scanning stores' customers react if the present degree of item pricing is removed. I just wanted to emphasize that point because many people fail to realize it. I think some of that is exhibited in some of our previous testimony, and today in the average non-scanning supermarket, only about 75% or 80% of the items are individually item priced. So you're really not talking about going from 100% to 0%. As far as this issue is concerned, you're talking about maybe going from 75% of item price marking to possibly 40% to 45%. You bring it down, but no one talks about it. Is it even mechanically possible to fully eliminate item pricing? So after these jurisdictions objectively monitor, all we ask is that we find out what happens in these various areas, because you find that the practices are unsatisfactory and the consumers are completely dissatisfied. Then and only then, do you look to see if you need legislation. If you need legislation, study it thoroughly to see exactly what kind of legislation.

Now the opportunity that we had asked for to find out what would happen in the absence of a state law (the one that expired earlier this year), really didn't develop simply because the retail
clerks union, the State Department of Consumer Affairs and some of the consumer groups did not want to find out what would happen in the absence of a state law. Starting in November of 1979 they began pushing for local ordinances.

We believe this widespread adoption of local mandatory item pricing ordinances has created an unfortunate situation for the following reasons: I think some of this has already been touched on by some of the previous witnesses and I think in that sense, we agree that there are some lousy ordinances out there. 1) a large number of the ordinances were hastily adopted with little or no study, and in many cases without the knowledge of the food industry. In many cases these ordinances were adopted where there was not any industry knowledge or even opportunity to be heard on this issue and Stanislaus County was one of those for example. So we can't say we've always had a fair shake in this.

Most of these adoptions, let's face it, resulted from pressure from the retail clerks and their consumer activist allies acting in concert, which is all right. That's the American political process, and as I say again, many of these ordinances are poorly drafted and reflect an unawareness of present item marking practices in grocery stores today and as one of the witnesses pointed out, most of these are simply a "boiler-plate" of the original San Francisco ordinance which was far more harsh than the old state law. It didn't even take into account those things that are not normally priced marked in the conventional supermarket.

I think I'm going to jump to my point five here. It places the Legislature in a very difficult position since it probably could
not act without pre-exempting the varying local ordinances and it
could not ignore the fact that 19 local jurisdictions have rejected
proposed ordinances and that over 380 jurisdictions have not expressed
their views on such legislation.

In conclusion, we maintain the position that we have all
along on this issue. We urge that each local jurisdiction which has
adopted a mandatory item pricing ordinance to objectively study and
determine if such ordinance is in the best interest of the community's
consumer. And each local jurisdiction that considers a proposed
ordinance in the future, avoid being stampeded into a hasty decision.
Instead, take the opportunity to see what happens in respect to scanner
installations, price marking practices, and consumer acceptance in
the absence of an ordinance.

Lastly, the State Legislature take no action unless they
find after careful study that a statewide mandatory item pricing law
is in the best interest of California consumers.

I would hope, Mr. Chairman, that we might have a chance for
rebuttal later if the circumstances permit in terms of the previous
testimony.

CHAIRMAN LOCKYER: I thought you were rebutting any previous
testimony now. You may have more concern about subsequent testimony
and how you try to rebut that and perhaps there's a way. Certainly
we can keep the record open and hear the follow-up. Obviously it's
an infinite regression as they say, rebutting the rebuttal to the
rebuttal to the rebuttal gets a little hard, but we'll do our best to
be fair to everyone. Let me ask this: Could you indicate some of
the local jurisdictions, as you point out, that have rejected or-
dinances, or particularly, any sizable city or county that has had
it before them?

LES HOWE: I have a whole list of them. The County of Sacramento and the City of Sacramento rejected.

CHAIRMAN LOCKYER: That's sizable.

LES HOWE. Torrance; I'm not going to read them all, but Anaheim, I believe has, as well as Fullerton.

CHAIRMAN LOCKYER: Has one, or has rejected?

LES HOWE: Has rejected. I have a list which is available to anybody -- proponents, opponents of this, as to what our records show has happened in this whole arena. The City of Palo Alto has rejected it. I'd say there's a total of 19 of these.

CHAIRMAN LOCKYER: That gives me an idea. Now, let me ask a question -- As I understand your testimony, what the industry is hoping to accomplish is to have an opportunity for a test of the economics involved and the consumer acceptance of a system of no item pricing. Could you try to help us understand what would be an adequate test? Is it necessary for the whole State to not have any local ordinances in order to feasibly test it, or some counties doing it and some cities not doing it, etc. as a way of testing that notion?

LES HOWE: Mr. Chairman, my response to that is that I think what has happened here is, you've created more or less indirectly a laboratory situation, and I think it does offer the opportunity for those firms that have stores located in the "no ordinance" areas, to find out if they've partially removed price marking. What are their shoppers' reactions?

CHAIRMAN LOCKYER: In the list of 360 supermarkets currently in the State with scanners, could you estimate how many of those might
be in jurisdictions with no item pricing requirement?

LES HOWE: Mr. Chairman, on Exhibit C, I've tried to lay out all....

CHAIRMAN LOCKYER: Oh, it does say that -- I see. About half and half; 188 with ordinances, 172 without.

LES HOWE: Right. The majority of the scanners today are located in areas that do have an ordinance. I think one of the unfortunate things that this is going to create, and I don't know if this helps anybody's position, but a lot of firms who have the choice are going to refrain from locating their new scanning installations in areas where they have an ordinance rather than be able to go out in other areas. That's a reality and whether it's good or bad, is something else.

CHAIRMAN LOCKYER: What would you estimate is the potential for scanners? You indicate that we're really only talking about approximately 3,000 supermarkets in the entire State with the potential for using a scanner. The way your figures break down, is the 3,200 correct?

LES HOWE: The 3,200 actually represents the number of supermarkets that exist in California today.

CHAIRMAN LOCKYER: Are all of those potential scanner people, or are some too small for that?

LES HOWE: I might first define a supermarket. That is generally regarded as a grocery store doing an annual volume of $1 million or more, but to make an investment in scanning equipment today, and all these changes have been pointed out with inflation, you probably have to have $8 million in annual volume. You've got to
be a big supermarket before you're going to go into this and not all of those supermarkets, unless the technology changes a lot, are going into scanners; they can't afford it.

CHAIRMAN LOCKYER: Of the 3,200 stores, how many would you estimate as having a volume of 8 million or more?

LES HOWE: I'd hate to give it because I'd say probably a fourth of them, but that's just a guess.

CHAIRMAN LOCKYER: So, it's perhaps 800 stores or so?

LES HOWE: Today, and that's going to change as time goes on because it's like income tax and you move up through the brackets, so it's inflation and volume.

CHAIRMAN LOCKYER: We'll have an item pricing indexing bill something like that; you don't go up in the brackets. Of the 800, almost half of those have a scanner, and almost half of those where there's a potential for it seem to have it. Of the other half, is there any way you can estimate the time it would take for them to shift into that sort of system or the likelihood of them wanting to shift into that system?

LES HOWE: I think there's pressure on the industry to improve productivity. Every facet of it is certainly looking at this and I think no matter what our views are on this particular part of the issue, there's going to be more and more scanners. I think roughly speaking you get about 15-20 more per month in California.

CHAIRMAN LOCKYER: So you feel then there is something of a laboratory currently existing with perhaps adequate opportunity for the industry to see consumer reaction in the non-ordinance areas? Does that seem correct to you?
LES HOWE: I would say that and I would say that they would have the option in those areas to make the determination after they've checked with their consumers because as I point out, almost half of the scanning stores in areas that do not have an ordinance continue to voluntarily fully item price. So it doesn't mean that you strip the thing down. I'm talking statewide; I do not know all the local practices.

ASSEMBLYMAN ELLIS: Mr. Howe, in business there's sort of a philosophy that if people want something, or if there's a need, it will be filled and a service will be provided if the people want it. In this case, if the people are willing to pay for the extra cost of item pricing as you've stated, why don't you just provide it?

--- APPLAUSE ---

I don't like that kind of applause; it really distracts me personally. It distracts from the whole proceedings when you people are out there clapping and cheering and I just don't care for it, personally. If the people are willing to pay, we could put it to a vote and if the people say yes we want to pay 2¢ or 2% or whatever more, why not let them do it?

LES HOWE: In response to that, Senator-Elect, the distinction is who makes the determination as to what people are willing to accept or not. Do you do it through organized consumer groups, through the retail clerks, or does the store try to measure this in terms of their own dealings with their shoppers and how it reflects their volume? If they have a scanning store in one location and their customers do not like the way they're dealing with them in respect to this issue, then it's going to reflect on their volume and they can't
afford that.

ASSEMBLYMAN ELLIS: How has that been reflecting so far?

LES HOWE: There are some other witnesses who will touch on that, but I think what you'll find is that it's not in terms of what the stores experience themselves. They are not having all the clamour that you are seeing here as far as their shoppers. In response to that, and your comment, Mr. Chairman, I think we do have a laboratory situation and we would certainly have no reservations about having any kind of objective monitoring from the standpoint of the State as to what's going on out there, what's really happening, or any objective analysis of the quality of the local ordinances, or any of that. I think that in terms of the more objectivity we can get into this issue and the less emotion, the better result we're going to end up with both in terms of the industry and the consumers.

ASSEMBLYMAN ELLIS: I have a suggestion on how to do it: mark half the items and charge the person what's marked, and do not mark the other half; let the scanner do it and see how many people pick up the marked item and how many pick up the scanned item. It would tell you real quick.

LES HOWE: You're talking about the same store?

ASSEMBLYMAN ELLIS: Yes. Open a can of tomatoes and mark half the cans and don't mark half and see how many people take the marked and how many take the unmarked.

LES HOWE: The thing is that in a study like that you wouldn't have any of the savings because it would be more difficult to set up that type of situation.

ASSEMBLYMAN ELLIS: You're not going to save anything; you're going to find out whether it's consumer acceptable.
LES HOWE: That's one I've never heard. I'd certainly throw it out. I'm not an operator myself, so I really don't know.

ASSEMBLYMAN ELLIS: Speaking personally, I always pick up an item that's clearly marked because I don't like to get to the checkout stand and go through a hassle over how much it costs because usually they call the manager from the back room and you go through the whole mess and it's easier to have a well-marked item, I think. If more people feel that way, I think you'd find out real quickly.

LES HOWE: We're open as to how to find out how people really feel.

CHAIRMAN LOCKYER: I wanted to ask one follow-up on the laboratory. How long of a test period is necessary? Is it possible to give some general view from the industry about whatever it is they need to learn? How long does it take to learn that?

LES HOWE: I don't have any specific time.

CHAIRMAN LOCKYER: Maybe I can ask the industry.

LES HOWE: Give us time to think about that, will you? I don't want to give you an off-the-cuff answer on that, Mr. Chairman.

CHAIRMAN LOCKYER: All right, thank you, Mr. Howe. Who do we have next? Steve Koff?

MR. STEVEN KOFF: Good morning Mr. Chairman, members of the Committee. My name is Steven Koff and I'm Public Affairs Coordinator with the Certified Grocers of California. I represent almost 4,000 independent grocers throughout California and for the small grocer, reducing operating costs is critical to us. Our members are continually watching the progress of scanning and the legislative activity regarding item pricing. We believe scanning works to provide for a more efficient grocery industry and that in order for a total scanning
system to be effective it must allow for the removal of item pricing or only shelf-tag pricing. A majority of the independent grocers have held off from making a substantial investment and acquiring scanning equipment because of the possibility of government bodies requiring mandatory item pricing. Presently, we only have 16 independent markets in the State using scanning; however, not one price has been removed in any of these stores. More retailers would go into scanning if an option of shelf-tag pricing or item price removal was given. Unlike the larger chain markets who enjoy inventory control savings, the smaller grocer can create savings only under a no-item pricing or a shelf-tag proposal. Also, scanning has significantly helped our stores compete in the inner-city and the urban areas. Efficient stores are desired in low income neighborhoods and more often than not, costs are higher and operating margins are lower. These areas have lost stores because of legislative inefficiencies. We have recently opened six stores in the South Central area of Los Angeles which feature scanning and productivity, and cost-efficient service has resulted in each of those stores. Prices have stayed on, but even a greater cost efficiency would be allowed if shelf-tag pricing or item pricing removal was allowed. If you require mandatory item pricing, it costs our retailers money, and does cost the consumers money and it makes it even more difficult for the smaller stores to compete with the larger chains. Many people in California are served by smaller grocers and these people who use the stores should not be penalized by having added costs of mandatory item pricing. The Independent Grocers of California would hope that consumers and supermarket operators in the State can continue to learn whether accuracy and shelf-tagging and accuracy at the register can be maintained without the need.
of a state law. Thank you.

ASSEMBLYMAN ROSENTHAL: We heard before with the last speaker, what volume was needed before a store installs computers. Do you have different figures?

STEVE KOFF: No, it pretty much concurs with what Les has. We have varying degrees of markets ourselves. We range from a 48-chain which is independent to Hughes Markets in Los Angeles which are independent to the local Mom and Pop Grocery Store which has a very small volume. So it varies, but Les' figures are pretty accurate.

ASSEMBLYMAN ROSENTHAL: But the legislation which used to be in existence and which will hopefully be again only applies to those who have computers.

STEVE KOFF: That's correct.

ASSEMBLYMAN ROSENTHAL: I got kind of a feeling that you were trying to indicate that if we had to continue to item price, it would have to be done in stores where they had computers and such.

STEVE KOFF: More of our people would like to go into scanning and have the computers installed in their stores, but they're hesitant right now. It would be a large investment for them to go into scanning, but they would like to and they're only holding off because of ordinances and because of mandatory pricing.

ASSEMBLYMAN ROSENTHAL: Are there no other savings with that equipment other than item pricing?

STEVE KOFF: Certified Grocers recently opened up a mechanized warehouse which we feel will be helpful in cost deterring food distribution. We serve almost 4,000 supermarkets throughout the State of California, mainly Southern California, and this is one area where
we feel we are beginning to make an attempt in not really cost re-
duction, but in cost efficient service. It's a beginning through 
food distribution; we don't know what will appear in the supermarkets 
on the shelves, or if food costs will go lower. There's a lot involved 
in what determines the price of food today, but we feel we are making 
an attempt in that by opening up this mechanized warehouse and it will 
be helpful to the future.

ASSEMBLYMAN ROSENTHAL: Do you have some idea of the number 
of independents that are likely to install computers at some point?

STEVE KOFF: Speaking for our company, I do know of about 
15 different small chains that are contemplating the use of computers 
in the near future.

ASSEMBLYMAN ROSENTHAL: I'm talking about the number of 
stores.

STEVE KOFF: It would probably work out to about 150.

ASSEMBLYMAN ROSENTHAL: Thank you very much.

CHAIRMAN LOCKYER: Aren't there savings with use of the 
scanner independently of the cost saving from not having to mark the 
individual item? Aren't there some cost savings even if you have to 
mark the item in use of the scanner?

STEVE KOFF: If you have to mark it, it would certainly cost 
us more.

CHAIRMAN LOCKYER: .... inventory, processing and labor 
costs of checking out people, etc. Aren't there some cost savings 
there?

STEVE KOFF: I'm sure there are. I don't know right now 
what they would be, but yes, I'm sure there would be; but to mark it
does cost us more to do so.

CHAIRMAN LOCKYER: Thank you. Mr. Beaver, please.

MR. DON BEAVER: Mr. Chairman, members of the Committee, my name is Don Beaver. I'm the Executive Vice-President of the California Grocers Association. Clear accurate shelf price tags and full utilization of electronic scanners in grocery stores are the only effective tool in the industry today that will increase productivity and help keep prices down. The full use of the scanning system has proven successful to the customers that have had the opportunity to use the system and it's clearly demonstrated its reliability and efficiency throughout California where its use is permitted. Some communities have chosen to allow prices to be marked on the shelves on many items and full utilization of the scanners. Others have required the continuation of costly redundant price marking on each item and still other communities are testing customer reaction in stores allowed to operate with the more efficient system. Letting the customers decide seems to be the fairest approach and it is the approach which the members of the California Grocers Association support. There is absolutely no doubt that this continuing the necessity of pricing each item or even the majority of items in the full utilization of the scanning system can hold costs down and that saves consumers money. We hope the state and local jurisdictions will give the grocers opportunity to introduce this cost saving system to customers who wish to take advantage of it throughout California within the next few years. I'm not going into any of the statistics and figures since Les adequately covered that and I know you have that in your own analysis.
I would like to make a remark on some of the earlier ladies' statements on the consumer's right to know and certainly the grocery industry supports the consumer's right to know the prices. But I think what they are overlooking is that the stores that are using the full scanning systems with any prices removed do have accurate pricing systems developed in these stores. They're not just haphazardly going about the scanning systems and developing them. They are systematically monitoring the prices that are on the shelf, the prices that are in the computer, and the prices that are being charged on advertising items. Now, certainly we have to continue to perfect these types of systems. The other portion is, one of them made a remark about net profit. Net profit is when it comes to a store using the full scanner or a store using only a scanning system that still has prices on it -- percentage-wise these stores are still running about the same net profit percentage to sales which is about 1% or less of their gross sales. So the stores that are removing the prices are running 1% which means that they do have cost saving prices in those stores.

Safeway has a new store that's been opened a couple of months out in the Greenhaven area in Sacramento. When you get back to Sacramento in December, please go out and talk to the customers and look at the prices. There are stores right across the street from them that don't have the scanning systems; see if the people are unhappy shopping in there. I've been out there three times on different occasions, listening and talking, as a consumer. I'm not out there trying to get a survey; I'm more interested in just talking to people to get an off-the-cuff remark from them. We don't see any unhappy people out there; they do have confidence in the system and of course,
that's what it's all about. The stores do have prices marked on the shelf below each item and they're not the tags that somebody referred to that they used to have in stores where the kids would go along and flip them out. Those tags are no longer used in the markets. The tags that are in there today are very difficult to move and you almost need a little suction cup to get them out of there to even change the price of merchandise when they have to be changed. I'd be pleased to answer any questions that you may have.

ASSEMBLYMAN ELLIS: What do you figure the difference is in labor cost, item pricing and in shelf pricing as you just described it?

DON BEAVER: What is the difference? It depends, of course, on the volume of what the store is running. For the average store that is into price removal and the full scanning system, that saving just on labor of marking the merchandise is running anywhere between $70,000 and $100,000 a year. That can vary again between stores depending upon their volume and how many clerks they have that are marking the merchandise.

ASSEMBLYMAN ELLIS: Were they not previously shelf pricing also and item pricing? Then all you did was remove....

DON BEAVER: That's right, and they don't remove all the prices in the store even if what they call price removal is used. Items that cannot be properly identified with shelf markings, which are too small, still have the prices on them so it's not a full clean store sweep. It's the fast moving items in the store where they may have to restock that item in some of these stores several times a day because they do turn over so fast. These are the items that can really make the savings to the store.
ASSEMBLYMAN ELLIS: I sort of got the impression from some of the previous speakers that they're not interested in shelf pricing; they want item pricing and they don't want anything else. What would be the difference in cost to do away with shelf pricing completely and only have item pricing with the scanner?

DON BEAVER: I don't think anyone has really gone in that direction. I think that the consumers have demanded a comparative type pricing and I know what you're talking about -- just put it on the merchandise. I really don't know what that savings can be; I don't have any figures on that. Most of them have either gone to the shelf moulding, by the way, which is much easier to see for people who do have impaired vision than it is to try to read the little small price on that can itself, because those prices are at least over in excess of a half inch high where on the can it may be a quarter of an inch or less.

ASSEMBLYMAN ELLIS: Has anybody thought of going to eliminating shelf pricing and doing only item pricing if that's what the people want?

DON BEAVER: The reason that most of them have not eliminated any kind of shelf tag pricing is because that gives the consumer additional information on unit pricing which breaks it down by ounce, etc., and I think this is important to the consumer. I don't think the stores would want to disturb that. Also the stores order from those tags; they're coded and scanning systems can pick up what that item is for reordering purposes just by waving the wand across it. So there's additional information on it.

ASSEMBLYMAN ELLIS: Oh, you use the shelf tag for inventory control?
DON BEAVER: Yes, there are many things that that tag is used for and it does need to remain there.

ASSEMBLYMAN ROSENTHAL: Mr. Beaver, what's the experience that you could refer to when the person discovers the computer price different than either the one that's marked on the can or on the shelf? Have you heard or run into that?

DON BEAVER: Yes, I think it would be naive to stand here and tell you that it has not happened. I think any time you're trying to develop new systems in a store, it does happen. But I think the stores that are using price removal on errors will give that customer that item free. I know you're going to say, how do they know that it's free or that it's been mispriced? The consumers have found these items and of course reported them to the store. These are one of the things that the industry certainly is working on and that's pricing integrity. These stores have to monitor these things so that they do not occur. They're human errors and no one is making them intentionally and I know they keep eluding to the fact that some dishonest store manager is going to raise his gross profit in his store by some astronomical amount to impress his boss; that just doesn't happen. These retailers are very honorable people and they're here to serve the consumer; they're not out here to try to cheat them or try to get another penny out of them. They can make an adequate profit by doing a good job and running a tight operation and seeing that the consumer is taken care of and that means seeing that these things are adequately and accurately done.

ASSEMBLYMAN ROSENTHAL: One of the things that concerns me about removing prices from the item and having it all in the computer
is the concept, and we've heard it mentioned earlier that you can raise prices daily. If you buy an item for 20¢ and you sell it for 25¢, you will raise your price almost on an hourly basis, if necessary, because you may be purchasing the next item at 22¢ and you then get your additional increase on the old purchased merchandise. How do you respond to that?

DON BEAVER: The only way they can keep track of the price increases that go on, and there are thousands of price increases a week from the manufacturer, is to change those prices when they get new merchandise in. That's the practice today and it is absolutely necessary in the way that the retail grocery industry does business. Now they don't go back and find out through some telephone that the price of beans has gone up and run out and change them today. They wait until they get more merchandise in. Then they change the price and it must be changed on all of the product because the computers would blow their minds. You can't have two prices in those computers; it has to be one, so they must be changed.

ASSEMBLYMAN ROSENTHAL: I understand what you're saying, but I know that every shopper, for example, will pick up two or three items on that shelf and if one is 20¢ because it was purchased two weeks ago and one is 22¢ because it was purchased yesterday, they will pick up the one with the lower price. But with the computer setup and no item pricing, the market gets the advantage on the lesser cost item.

DON BEAVER: The market is having to do that today where they've got the scanners or they don't have the scanners. Those increases must be taken as they come through from the supplier and the merchandise that's on the shelf must be changed. Unfortunately, when
you see one or two prices of an item on a shelf it is due strictly
to sloppy merchandising on the part of that market. It should never
be, because the computer cannot have in its memory two different
prices and the retailer really should not have on his shelf two
different prices because it's very confusing to the consumer, and
yet, they must change those prices as they occur; competition dictates
that today.

ASSEMBLYMAN ROSENTHAL: They must change the prices upward?
Competition dictates that?

DON BEAVER: Or downward.

ASSEMBLYMAN ROSENTHAL: Come on now, prices are not going
down.

DON BEAVER: I agree that maybe only 25% of those that go
up do go down. There are that many that 25% would come down or have
some kind of promotional allowances with them. They're either cent-off
type deals or they are temporary or permanent reductions through
some kind of decrease in the cost from the manufacturer.

CHAIRMAN LOCKYER: I think I'd like to scold the audience
briefly. Please try to be fair and polite to whomever is testifying.
Whether you agree with the witness or not, there is an opportunity to
say in rebuttal whatever one would like to say. Democracy is kind of
a fragile process and it helps when people are polite.

The concern I have, Mr. Beaver, and I'd like to raise it and
have you respond -- I guess my greatest anxiety is that it is possible
to advertise some loss leader, like Thanksgiving turkeys, or whatever
it might be and run big newspaper ads, which of course stores fre-
quently do, and then use of the computers for changing prices really
allows greater flexibility in sliding off any loss from that adver-
tised item to other items. I don't really know the industry practice well enough to know whether that is a real possibility or realistic fear or not. I'd like you to respond if you would.

DON BEAVER: Clarify what you mean by sliding off.

CHAIRMAN LOCKYER: What will happen is that they advertise something that sounds like a great bargain, whatever it might be, and then the items that were marked in the store really constrained the ability to pick up that potential loss on other items. Using the computer system allows the stores to advertise their loss and to pick up the potential loss on something else that people aren't looking at as closely. Obviously people comparison shop, but they don't do it every time or everyday, and frankly, I'm wondering whether this new technology allows this to happen more frequently.

DON BEAVER: No, this absolutely does not happen. When a store runs an advertised item, they do not raise other merchandise to offset that. This is all figured in the store's turnover of merchandise; it's what they call the product mix. They know ahead of time how much their loss leaders are going to affect their gross profits. They know ahead of time when they figure out what the price of these advertised items or marked down items are going to be and they know how much ahead of time that they can percentage-wise mark down and still maintain the gross profits that they need on a week, month or year basis. They absolutely do not raise other prices to make up for that!

CHAIRMAN LOCKYER: You testified that $70,000 to $100,000 per store is an approximation of the cost savings in having a scanner system and not item pricing. What would be the cost saving of having
a scanner system with item pricing compared to a current mode of
the checkout as it currently is, along with pricing?

DON BEAVER: Do you mean, what would it save the consumer?
CHAIRMAN LOCKYER: No, what would it save each store to do
it the way they currently do it without a scanner?

DON BEAVER: You're looking at a percentage?
CHAIRMAN LOCKYER: Or a dollar figure -- just a guess.
DON BEAVER: That runs all over the field. I've seen
figures down as low as 0 and I've seen them up as high as 1½ percent.
There are figures out in publication today that say that scanners
can save as much as 20%; I've seen figures saying 30%. I don't know
yet how reliable these figures are. This is one of the reasons the
industry wants to experiment with this type of merchandising to get
a level of what the savings can be to the consumer. Believe me, if
it's nothing, they're going to go back to doing what they've done for
many years and that's putting the prices on the items. I can assure
you too, if these markets lose any volume due to people going to other
places to shop because they don't like it, those prices are going to
be back on that merchandise. The industry just has not had a long
enough test market on these items yet to really see what, on an
average basis based on different volumes, can really be the savings
to the consumers. But I'm only looking at figures that I've seen
advertised or in trade publications and cannot verify them for you.

CHAIRMAN LOCKYER: Who are the principal firms that market
the scanners?

DON BEAVER: They are marketing scanners: National Cash
Register, IBM; there are many companies.
CHAIRMAN LOCKYER: It occurs to me that that's an omission we made. When asking for testimony from them, we should have asked them what they thought their potential savings might be. We ought to get that in writing.

DON BEAVER: Absolutely; we should have their input.

CHAIRMAN LOCKYER: Alright, thank you. Mr. McMahon.

MR. DAVE MCMAHON: Thank you. Good morning. I appreciate the opportunity to come down and I was also very pleased to see that I was promoted this morning, based on this agenda. Thank you.

The reason I am here is because I represent not only Albertson's Southern California Division as a personnel and training director, but also Albertson's across 15 various states in our fine country. We currently operate scanner stores in almost all of our divisions. We have them in our Idaho Division, Utah Division, Florida Division, Colorado Division where we are not using item pricing. We've been doing it approximately a year to a year and a half depending on the locale in those areas. We have yet, as of this morning, had no adverse reaction from consumers or anyone else concerning the removal of those prices?

CHAIRMAN LOCKYER: How long in some of those other states?

DAVE MCMAHON: Approximately two years. We have not been into the scanning movement as long as some of the other competitors have been. For example, we have three in our Salt Lake City Division, two in our Boise Division, five in the Florida Division and three in our Denver, Colorado Division. We have nine operating divisions across the country. We have had no problems with those units. Obviously, the criteria for us in the food industry, like anyone else in the retailing business is, do our customers continue to come back
to our stores or don't they? It's a very simple process; if you're
dissatisfied with something, you walk away from it. If you like it,
you continue to come back. In these areas, many of which are suburban
areas, rural areas, high density areas in heavy cities, large cities
like Denver, etc., we have been very successful in not losing the
volume which is the basic criteria for us to do business with. In
the State of California we currently operate nine scanners in Southern
California and five in our Northern California Division. We have, at
this point in time, not removed prices from our stores in the California
region. It is often hotly contested, as it has been this morning
as I've been attending various meetings throughout the state over the
last year and a half. We have not chosen to go into it yet, not because
of the controversy per se, but because we want to make sure our systems
are adequate to protect, not only the consumer's interest in shopping
in our store and knowing they're going to get the proper price once
they leave the store, but also to protect our assets.

I'm open for questions. Those are the basic comments I
have. There were also questions directed to the people who I felt
weren't able to handle them. I'd like to try.

CHAIRMAN LOCKYER: I guess I'd like to begin, if you can
give us any cost estimates of the savings having a scanner or not, with
and without item pricing.

DAVE MCMANON: The scanners benefit the stores in many ways,
so you need to get specific. Are we talking about front end service;
are we talking about gross profit levels or what?

CHAIRMAN LOCKYER: Well, it's all interesting and I guess
gross is the one I'm trying to get at. Regardless of where the
savings come from -- say there's a state law that requires item
pricing in California; is there still an incentive to use scanners
which everyone seems to think are convenient for consumers and perhaps for markets also, and what is that financial incentive to have a scanner or not even with an item pricing ordinance or law and then what would the difference be without that item pricing law? In a gross way, is that specific enough?

DAVE MCMAHON: I think we can work with it. Bear with me. Number one would be that there are savings whether we item price or not. There are substantial savings if we don't have to item price, and what was your third question?

CHAIRMAN LOCKYER: Do we know a dollar amount at all?

DAVE MCMAHON: It's very difficult to pinpoint a dollar amount because we at Albertson's have not had the opportunity to test and see exactly how that's going to happen yet. We've been relatively new at it.

CHAIRMAN LOCKYER: Well, haven't you tested it in these other states?

DAVE MCMAHON: Yes, we have.

CHAIRMAN LOCKYER: Are the consumers different?

DAVE MCMAHON: Are you talking about gross profit, are you talking about new profit, or are you talking about labor savings?

CHAIRMAN LOCKYER: Any of the three.

DAVE MCMAHON: Okay, we've been able to affect anywhere from a 5% to 10% savings.

CHAIRMAN LOCKYER: In gross?

DAVE MCMAHON: Net.

CHAIRMAN LOCKYER. Five to ten percent in net profit. What would that typically mean? Is there sort of a typical supermarket in terms of volume?
DAVE MCMAHON: No there's not. That's why I'm saying I gave you a sample of the stores we have. We have 400 stores in the country and we currently have about 10 stores where we've removed the prices. It's a general range right now because there are various types of stores and each one is a particular unit itself right now because there are various sizes. Some stores are 72,000 square feet and others are 18,000, 19,000 or 20,000 square feet.

CHAIRMAN LOCKYER: So within that range of five to ten percent how would it break down the elements of savings within that range? What portion would be labor at stamping the cans compared to labor at the checkout?

DAVE MCMAHON: Not just stamping the cans, but the labor savings in not having to price and not having to do the price checks for items that aren't marked. The other sundry items related to that would probably take on a dollar labor expenditure. Anywhere from ten to 25% of that dollar would be saved in not having to do that pricing and/or the price changes that are attended with that, and the rest of it would be affected in being able to have all the items priced properly going through the checkstand and not having the human error-problem that we have now where an item of 69¢ is marked 96¢ which goes in the customer's favor; likewise it could be 96¢, charged 69¢ stamped on an item which could go against management favor.

CHAIRMAN LOCKYER: Do you think there's error more often in one or the other's benefit? That is, does management benefit or the customer benefit more frequently from the error factor? Roughly I would think that would work out evenly.

DAVE MCMAHON: I would say on balance it would probably even itself out.
CHAIRMAN LOCKYER: That's not part of the savings. It's nice to be efficient and accurate, but that doesn't seem to be where you would save money. I'm trying to figure out if the five to ten percent net savings is perhaps, as you said, a maximum of 25% that would be labor costs. About a quarter of that would be labor; what's the other 75%?

DAVE MCMAHON: Improved, operational abilities within the store. Getting the proper dollar value out of each item that's being rung up in the store, being able to check our customers through quicker, getting a better reputation in the area, thus being able to create more volume and to gather additional profits. In other words, it's a competitive tool.

CHAIRMAN LOCKYER: You think it affects volume?

DAVE MCMAHON: Yes, I do. In every store that we've tested, our volume has gone up and not down in those stores in the regions I mentioned a few minutes ago. I'd also like to mention, if I may, why we need the shelf tags. One comment was made that we need them to order with, which we do, and also we use the shelf tags to determine the allocation of the product on the shelf between those two tags and the numbers of rows or spacings of the items. So it's an allocation procedure as well as an ordering procedure on the shelf tags. Price changes--someone commented that we'll go rampant through the store and before getting to the front end we've changed them two or three times. I'd appreciate none of the "tsks" and things like that. I didn't do any of that during your speeches. I'd appreciate that for me now. Thanks a lot.

Prices are going up constantly; we all know that. The food industry has probably raised their prices the least of any other major
industry. The dollar value that we spend in our everyday lives has not been raised in the grocery business. Our prices are going up every time we receive merchandise into our warehouses across the country. We do not go out to our stores and raise prices everyday. We gather those price changes, we put them together in our Boise corporate office and they are transmitted down over the telephone lines. It's a very sophisticated communication system to the stores to be enacted within the store. So we change our prices once a week. Yes, whether we like it or not, prices are on the increase, so more of our prices are going up than down, unfortunately. That is the trend we're in right now and let's hope that things will change. We will do our advances and we will do our declines. We do not put the advances into the computer until they've all been done in the store before we affect it that way. If there is a customer in the store during the time we raise it they are not going to suffer the five, ten or whatever the item percent raise is. We don't put that in until all the items have been changed. That's a safety valve that we use so we won't misrepresent ourselves to the customers. Also, something we have the capability to do with scanning stores that we can't do with the approximately 390 stores, is that we can do an instantaneous audit of any of those stores right in our Boise office. We call those prices back again through the telephone system which transmits the data once a week and they are verified instantaneously as the proper prices. Now, on the shelf, if the tag wasn't remove by the person that does the price change, then there could be a problem. If everyone did their jobs along the line then we would have 100% price accuracy; that is what we're shooting for. Those were a couple of the questions I remember that were raised and I hope I helped to answer them.

ASSEMBLYMAN ELLIS: What day of the week do you change
prices?

DAVE MCMAHON: Our prices are done throughout the week. They come out on a certain day and we ask them to have them done on a certain day.

ASSEMBLYMAN ELLIS: What is that certain day?

DAVE MCMAHON: I don't feel that's needed to be mentioned.

ASSEMBLYMAN ELLIS: What I really wanted to ask you has to do with error rate. Do you calculate error rate in your traditional or conventional stores and the scanning stores?

DAVE MCMAHON: The way we have to calculate an error rate in the standard store, a mechanical environment which you likely refer to would be a manual basis. Either having someone go out and audit someone, give them so many items to ring up and see what happens with it, or have an outside service come in and do that.-- those types of things. We do have an ability to audit, like I told you earlier, with the computer pulling that information back. Someone made the comment earlier that we could have a dishonest manager go out there and raise those prices so that he could get a better gross profit and it would look better to his district manager and, consequently, have more profits in his store. If that were to happen, there would be an exception report that goes out into our Boise office and immediately flagged that someone has got it over and above what it should be. There's an automatic report that comes out from the computer.

ASSEMBLYMAN ELLIS: But you do not have figures from years past on the mechanical-type. Does anybody in the industry figure that or try to figure it?

DAVE MCMAHON: I don't know if they have it or not. I
wouldn't be prepared to speak on that. Thank you.

CHAIRMAN LOCKYER: I'm going to suggest that we just continue to operate because there are several people with time constraints that would like to be sure to testify before we take a break, so with the patience of the audience, I think we can hear from everyone. Ms. Gaines is next.

MS. ADRIENNE GAINES: Mr. Chairman, members of the Committee, my name is Adrienne Gaines and I'm representing Stater Brothers Markets. My position there is Director of Public Relations. I have been the fortunate one, and I say that sincerely, to deal with what is being discussed today -- a consumer issue. I am here basically to explain to you some of the things that we have done with computerized scanning and item pricing.

First of all, earlier in the day, we brought up which counties have rejected ordinances. We have been fortunate in San Bernardino County and Riverside County. Riverside City has presently sent their piece of legislation to their own little interim study and I happen to be sitting on that committee now. We're dealing basically with the consumers of that particular area. We have found in going into areas that we presently have 32 scanning stores. But of those 32 scanning stores within those cities there is only one city that has legislation; that city is the City of Ontario. We were very fortunate to work collectively with that city council in recognizing what the industry had to offer and what they were trying to justify. They granted us a sunset ordinance with exemptions and we have been extremely fortunate in that city.

We feel that we've set an excellent precedent as far as computerized scanning or item price removal is concerned. We went
into a retired community where there is an ordinance that stipulates you must be 55 years or older to reside there; that is Sun City. We have converted our Sun City store to computerized scanning and we have removed some prices in that store. It's not like it is the only store in that community. They presently have a Safeway right next door which is not scanning, so it is giving the customer that option for the shopping place. We've also gone into other retired communities such as Hemet and Lake Elsinore. Lake Elsinore has tabled that matter for an indefinite period of time. We go out and conduct an introductory program with the community prior to opening or converting a scanning store. I go out and address the various different clubs and associations. We have scanning demonstrations in the store and we go to their individual group meetings and address them and have found that people fear the unknown. Computer technology is the future and we must go out and educate the people. When I go out and educate the people I am telling you that I am familiarizing them with something that is new and coming within their community. We go out and we discuss not only our position, but also the consumer advocates' position, and the labor position. I might note that we feel if it is labor's concern, that is the reason we have collective bargaining contracts and we feel if that is a labor issue, it should not be borne against city, county or state legislators to solve our problems. That should be taken up at the collective bargaining table. As far as the consumer advocate, we are well aware of their concerns. This is one step that we are taking to familiarize them with computerized scanning and item price removal. We have been successful and I have to say that probably in the 32 scanning stores, I have had possibly a half dozen
complaints. I have gone out and talked with those individuals, taken
them to the store, explained the system, explained our philosophy
where item price removal is concerned and they have accepted what we
are doing. I think the problem that we are faced with is the people
are not familiar with, they feel there's a price in the Universal
Product Code, they feel that again there's the apathy of the American
people that the big business is going to rip us off; that is not true.
We have various different pledges that we give to our customers. The
question was brought up -- what if an individual is charged the wrong
price on an item? That individual comes up to the automatic checkout
area where the groceries are being checked out and if the price should
differ in any way, we will give that item either free of charge or
we'll refund the total amount of that item to the customer. So I
think that the industry is taking all of the positive steps to assure
the customers that they are not ripping them off. I think what the
industry has also looked at is by implementing computerized scanning
it is eliminating human error and where human error is involved is
key entering a price into the machine or marking the individual price
on an item. That's where your error factor is involved and we have
found that in our stores. By implementing computerized scanning, it
is the most effective way to serve the customer and I think that the
industry would have been entirely foolish to implement something like
this if they felt that eventually the people wouldn't accept it. May
I answer any of your questions?

ASSEMBLYMAN ROSENTHAL: I don't think anybody here has been
suggesting either pro or con that the computer is not a good idea. Do
you have any stores in the vicinity that have computers as well as
item pricing near your stores?
ADRIENNE GAINES: Any stores? Are you talking about other chains? Yes.

ASSEMBLYMAN ROSENTHAL: In other words, across the street is another market that has a computer and item prices?

ADRIENNE GAINES: Sure, there are many of those.

ASSEMBLYMAN ROSENTHAL: Name one.

ADRIENNE GAINES: I can take as an example, in the City of Riverside, there is an Alpha Beta that is computerized scanning and there's item pricing and we are not. Well, I'm not saying we are not 100% removal; there are items that we have removed such as canned tomato sauce, baby food, jello, Kool-Aid, things of this nature that we have removed prices from. Ninety percent of the items that have been conventionally marked are still being marked within our stores.

ASSEMBLYMAN ROSENTHAL: So you have not removed prices from those items which have the big turnover?

ADRIENNE GAINES: No, we remove prices as our "Stater Saver" items which are a lot of your staple goods. Those are big turnover items. We remove prices from those items. We remove prices from our milk products. We remove prices as I said from our jello, our baby food, our Kool-Aid, individual cans of cat food, soap dishes, our dog food aisles. I have a list of them. Those are turnover items.

ASSEMBLYMAN ROSENTHAL: Thank you.

ASSEMBLYMAN ELLIS: Are we going to get a list of those items?

ADRIENNE GAINES: I can furnish that to you.

ASSEMBLYMAN ELLIS: It would be interesting to see what you have removed. You gave one example where you said that right next door is a supermarket that does not have a scanner and yours
does. Is that right?

ADRIENNE GAINES: Not right next door, no; he was asking me within the vicinity.

ASSEMBLYMAN ELLIS: Before he asked the question you said in one area.

ADRIENNE GAINES: Oh yes, in Sun City.

ASSEMBLYMAN ELLIS: In Sun City there's a store right next door?

ADRIENNE GAINES: Yes, a Safeway right next door.

ASSEMBLYMAN ELLIS: That has the conventional mechanical and you have the scanner with these items removed. Now did you have a conventional method before you went to the computer or did you go in as a new store with a computer?

ADRIENNE GAINES: No, we had basically a computer key entry type system; however, all of our produce was being maintained as it is being maintained today. That is, your produce, for convenience of the shopper in the produce department, has the price per pound package each in bunch; however, when you come to the checkout center you don't have an individual price on your broccoli. The clerk is trained to index a code and again, the reason for those codes is to eliminate that human error. Let's take bananas as an example of $5.00; that's signifying to the clerk that it's a scale item. Fifty is representing the price of that particular poundage of bananas. So they index that code into the machine and what comes up on the screen is the total price of the poundage, that they're purchasing, etc.

ASSEMBLYMAN ELLIS: But, was the store in Sun City conventional?
ADRIENNE GAINES: No, it was recently converted, I believe, in April.

ASSEMBLYMAN ELLIS: So you went from a mechanical to a scanner with a store next door that is purely mechanical?

ADRIENNE GAINES: That is correct.

ASSEMBLYMAN ELLIS: Now, what has happened to the volume in that store, in regards to that store?

ADRIENNE GAINES: It has remained the same. I do not have dollar percentage figures, but I do know that it is one of our highest volume stores and that volume has remained the same.

ASSEMBLYMAN ELLIS: I guess you don't know what the other stores do.

ADRIENNE GAINES: As far as actual figures, I'm not sure at this time.

ASSEMBLYMAN ELLIS: But you feel that your store hasn't suffered really?

ADRIENNE GAINES: No, it has not suffered. I also have to point out that in many of our scanning installations and in our scanning stores our volume has increased, productivity has increased, and additional labor has been put to use.

CHAIRMAN LOCKYER: Okay, thank you. All right, I'm asking for public testimony. Sherry Baum, do you want to start this?

MS. SHERRY BAUM: I'd like to start with the California Federated Women's Club (CFWC) because they brought the buses with the senior citizens.

CHAIRMAN LOCKYER: Fine. Who will that be?

SHERRY BAUM: Honorable Chairman and members of the committee, may I present Shirlee Earley, Consumer Concern Chairman
of the California Federated Women's Clubs (CFWC).

**MS. SHIRLEE EARLEY:** Good afternoon Mr. Chairman and your committee. I almost thought I was going to have to say good evening. We hate to feel like we were rushing you, but as you can see we brought bus loads of people down from Orange County and many of them are senior citizens. We didn't know how long we could really keep them here without having their lunch or rest. They're standing out in the hallway and they're standing upstairs as you can see. This didn't take much effort to get these people to come; we just let out a few feelers. We represent the people and we just let out a few feelers and everybody and their brother said they wanted to come and show that the people really cared. I've appeared before council meetings and this has been brought up many times today -- why don't the councils vote for item pricing? I'll tell you why they don't vote for item pricing. They listen to all the grocery lobbyist up until midnight and one o'clock in the morning then tell us we can come and speak our piece for two seconds. What can we say in a minute or two? By that time, we're all dead and tired; everyone has gone home. They mentioned a couple of times to us, "Well, if the people feel strongly about this, why aren't they out in the council room? Why don't you bring people? Maybe it's just you and your few buddies that care so seriously about this subject." So we decided today to bring the people down with us to show that we really care and the majority of the people really do care.

One of the reasons we are fighting this right now at the initial stage -- as you noticed in the newspapers in St. Louis, all the big supermarkets decided to get together. The people had no idea that item pricing was going to be taken away -- no idea
whatsoever -- they were not warned. They didn't have wonderful council members and supervisors like we have in Orange County that warned us that this was coming. Overnight they decided to remove all the prices and when the people were in a state of shock when they went shopping the next day, the managers told them to go shop elsewhere if they didn't like it. Well, you can't tell people to get on a train, or a bus, or a plane to go to the next city to do their shopping. They have definitely discovered that they practically raised the prices at least five percent right across the board. Do you realize how easy it is to raise prices by just not having to change the individual prices on those cans and boxes? You just have to press a button and those prices go up. They can go up ten percent everyday without us realizing it and we want a choice as to how we spend our money. Inflation is eating it up. We have very little of it left to spend and we think we honestly should know what we're spending for the value that we're getting. We were told by the grocery industry that they would save us, if they could take item pricing away, one-fourth of one percent. That's their figures -- that would be about ten cents per forty dollars worth of purchase. We will give them their ten cents. We want to know our prices before we purchase.

They keep claiming they're going to save us money. We're not against scanners; I want you to understand this. We think the scanners are wonderful, but we do want to know if the scanners are coming out with the right answers. Whoever heard of going shopping sight unseen and waiting until you go up to the scanner machine before you find out what you're purchasing?

I appear in many, many newspapers throughout the state
because I am Consumer Concern chairman for CFWC. We're the largest volunteer women's organization in the United States, in fact in the whole world and when we fight we fight. All we're asking for is truth in pricing. We have fought for truth in lending and truth in packaging. Before we fought this battle big concerns told us that there were eight ounces of potato chips in that bag and we discovered in nine out of ten cases there was nowhere near eight ounces of potato chips or whatever in the package. We insisted that they had to give us, if they said it was eight ounces, they said it was ten ounces -- that's what we wanted and we fought for that and we got it. Now you can be assured when you pick up a package or a can you've got what you're asking for or what you paid for and that's all we're asking for now is truth in pricing. They claim their business is not getting lost. I can't understand this. I have not talked to a woman or a gentleman in this whole State of California who has said that they go along with these prices being removed.

My fan mail -- I might have to move out my husband's thinking I'm becoming a celebrity. The mailman is breaking his back bringing up all those letters when they appear. People from all over the state are pleading with me to keep this fight up. They said they have written continuously to every store that has taken the prices away, pleaded with them not to do this and they absolutely ignore them. Now they're trying to tell us, "Where are the people, why aren't they complaining? They want this or they're be out there complaining." What do you have to do to let them get that message. I know they're in the store complaining all the time. I went into those stores myself and I guess I have a kind of a face that everyone walks up to me and starts talking to me. Almost everybody that's
in the store would say to me, "What's the price of this? I can't find it anywhere." We'd be on our hands and knees crawling around looking for that card and most of us are elderly women and we have to put on our glasses. We don't have that kind of time and most of the time we do not find the card that represents the product. It's way down five feet down the line somewhere. I got a letter from a woman in Costa Mesa that said she doesn't agree with people that fight causes. She thinks we shouldn't do this, but she said this is one cause that she's going to go for 100 percent and hopes that I keep it up. She went into this store in Costa Mesa the other day and it was before Halloween. It was in the newspaper letter to the editor also and she couldn't find the price of candy or gum that she wanted to buy for Halloween. She looked all over for this card they're talking about and it couldn't be found anywhere so she went up to the checker and the checker said, "I don't know unless we put it over the scanner. I have no idea what it is going to cost." She said she didn't want to buy it before she knew if the price was within reason. So they got the manager out and he said he didn't know the prices either.

I had to go shopping once and they had to push my groceries five times over the scanner system and I said, "Why are you doing that? I hope I'm not getting run up five times for each product that I'm buying." The young gentleman mumbled under his breath and said, "The scanner hasn't been working all day." I said, "Well, if the scanner isn't working, who's going to tell you what the prices are"? He said, Don't ask me, I don't think we know. The scanner has to tell us what the prices are." Nothing was marked so there was no way of checking what the prices were. I
said, "Do you mind if I step aside, after he got all through, and see what prices you came up with? Because I don't want to be paying five times for one product." I hear horror stories everyday. They said they don't make mistakes. I had women going out there everyday on purpose just buying two to ten items and every single day that week there were errors. They come up with errors every day. She was looking for it because we wanted to check it out to see if they really make that many errors. Some of the errors were small, some were huge. But do you realize how many people would be embarrassed to really check out to see if the scanners come up with the right answers or run back and check all those prices on the shelf to make sure they're right. Suppose it mattered just a few pennies? Do you realize what they would make before that was caught. Those couple of pennies add up to thousands and thousands of dollars. I think what we fear the most is, you asked that question. You asked what day do they change their prices. It only takes pressing of that scanner button to change all the prices in the store. That takes only a second to do. I can see them doing that on a busy weekend when you can really raise the prices, but you can't send your clerks out there to change all the prices on the cans and boxes. That will take days to do. It's bad enough that they're changing them while you're standing there, the ones that do mark. You have to take off those little labels to get down to the original price. They put on four labels. I think that's why they want to get rid of pricing, they don't want us to realize they're raising the prices on us. Do you realize - from California 500 - that the supermarkets made 24 percent net worth on their profit? The next largest company made 14 percent and that's Standard
Oil of California. They try to tell us that all the oil companies are gourging us, but the supermarkets are making a lot more money. We want them to make a good honest profit but we want assurance they're not taking us to the cleaners. We want assurance that what we buy is what we're paying for. We want our prices on there. I can't understand how they can be dragging this down any further. I can guarantee you I can walk into the store with a manager from any one of those supermarkets and stop every woman that's in there and say, "Do you want your prices to be removed and just rely on the scanner"? The percentage is at least 99 9/10 that want our prices on there. If we sit back and let this happen, it will happen like it did in St. Louis. Overnight all the prices will be gone, and you can't bring them back once they're gone all the way. We're fighting this now before they go all the way. Right now, they're using us as guinea pigs to see if they can do this to us and we're trying to tell them we don't want it, but they won't listen. A remark was made that most of the councils say they can't make the decision. They told us we have to go to our state legislators. They think this is a state problem, not a local problem. Well we are appealing to you, our state elected legislators. I am sure -- you look like honorable people, I like the looks of you anyway -- that you were elected to serve the people and you will listen to us, won't you? I guarantee you 99 9/10th of the people out there feel very strongly that we want our item pricing. We feel that you as our legislators have first preference to listen to the voices of the people. We are the people. If we have to appear in front of you at every single meeting that you have, and go through all this trouble of dragging busloads of people down from all of our cities,
we will do this. Another thing we can do is to organize an initia-
tive to put this on the ballot, and I guarantee you that ballot
would win in our favor by such a sweep it would make your head swim.
That will tell you what the people feel.

I got four buses to bring the people down here. I never
dreamed in a million years that all these people were going to show
up. The buses were already filled and here's all these people with
disappointed looks on their faces, "We want to go and voice our
opinion too." Well we were told at our council meetings that we're
the people, so we brought them to you. I could have brought all of
Orange County down here and I swear every one of them would have
come. I had to stop strange people on the street and say, "If I pay
your gas down here would you bring these people down to San Diego"?
They'd say, "What are you fighting"? We told them. They said, "We
will drive our cars down there." You should have seen our caravan.
They're all over the hallway, upstairs, everywhere. We've got to
bring them to lunch before they faint on us. So I thank you for the
opportunity to let me speak while they are still here. They're
lovely, lovely people. I appreciate that. Thank you.

CHAIRMAN LOCKYER: Thank you. It's not so much a question
as a suggestion -- there are many people here from Orange County who
have a particular interest in the issue, and of course it's not just
a concern of that county. I would like you to poll your local legis-
lators in the Assembly and Senate and send me a letter as to what
their views are. Have you already done that?

SHIRLEE EARLEY: Maybe I didn't mention the State of Cali-
ifornia Federated Women's Club has adopted this. Have I mentioned
that?
CHAIRMAN LOCKYER: Yes, you did. I understand that. Since there are many from Orange County, I would like very much to see a specific list of senators and assemblymen or assemblywomen from Orange County.

HARRIETT WEIDER: In our nine member delegation from Orange County we have the wife of Assemblyman Chet Wray with us today. Mary, are you still with us? We do meet. The Orange County Board of Supervisors does have a very close working relationship. Of those nine members I'd say six are in support of item pricing. But we will have it for you in writing.

CHAIRMAN LOCKYER: That would be nice. Thank you.

PAT BLOW: I am Director of the Consumer League which is a private group in Orange County that handles consumer complaints. We are on a very small budget. We've received so many complaints about the grocery stores, the item pricing, people not being given their money back, people not being able to find the right price, managers telling people if they don't like it they can just go somewhere else. One manager said, "What are you going to do lady, crucify me"? She said, "Yes." But we got so many complaints in, that we figured it would be cheaper for us to handle it through the legislature than to try to handle all the individual complaints. Daniel Webster said that "Knowledge is the **only** fountain...of...the principles of human liberty." Therefore, if you allow the knowledge of prices to be taken from me, even for the short time it takes me to select my groceries and return to the register, you have allowed the grocery people to infringe upon the very key of my

The only difference between the masses that are manipulated
by a dictator (and a dictator does not have to be a man with a small black mustache, the entity of big business can be just as ruthless a tyrant) the only difference between these masses and the masses that can make self-benefiting decisions, is knowledge.

We're asking your help in our fight to keep the items we buy priced. Not just grocery items. We feel that department stores, hardware stores, drug stores, will be the next to lobby you for price removal. Once these prices from all these stores have been removed, you are leaving your voters open to price manipulation, and more importantly, greater inflation. Because once the stores can raise prices with almost no expense, they will do so daily.

The trend has been for the government to aid and protect me in my right to knowledge. You protect my right for fair labeling, you protect my right to know the exact ingredients in a product (natural as well as chemical) and you have given me legislation for disclosure of the nutritional value in things that I eat. Wouldn't the removal of prices start a new trend?

Samuel Johnson said, "A desire of knowledge is the natural feeling of all mankind; and every human being whose mind is not debauched, will be willing to give all that he has to get knowledge." So you see, it's not just the 14¢ that we might be jipped out of at the cash register that brings out such strong reactions to this issue. I rather feel that it's something deep within our intellect and our instincts that abhors the loss of any knowledge.

If you can indulge me just one more quote, and this one from the Bible. I would like to direct this to the members of the grocery lobbyists because we've heard that many of them are lawyers. "Woe unto you, Lawyers, for ye have taken away the key of knowledge."
CHAIRMAN LOCKYER: Actually you probably ought to know, in the interest of knowledge, that there were more lawyers testifying on your side than the opposite. Just to keep the record straight, none of the members of the committee are lawyers.

SHERRY BAUM: Chairman Lockyer, members of the committee. My name is Sherry Baum, I'm Director of the Consumer Coalition. Last December I received a call from my Supervisor, Harriet Weider. She informed me that the state statutes mandating item pricing were about to expire. I had originally lobbied for that statute back in 1977. She knew I was interested so I attended the hearing in Orange County where the county was going to take up the slack and adopt a local ordinance. I was stunned and surprised. I'm a former member of the Air Quality Management District Hearing Board of the South Coast Air Quality Management District. I was quite accustomed to seeing lobbyists with big brief cases sweeping in front of my board and asking for variances from the air pollution laws. I was quite outraged to see the same kind of slick approach before the Orange County Board of Supervisors. I was shocked and stunned at the high pressure approach put forth by the food industry. I went out, bound and determined to find a consumer group to fight for item price marking. I could not find one in Orange County so I formed one. It's called the Consumers Coalition. We have been active in eight cities in the county and surrounding area. I guarantee you that if I would go into San Bernardino County, Inyo County all I have to do is set up a card table and have these petitions there, people would embrace me and say, "Thank God, somebody's doing something." We have complained to the supermarkets, we have written letters. We have tried to collect on that double your money back
or "we'll buy you free groceries." It's not worth it; it's too much of a hassle. This petition in this briefcase is full of ten thousand of them and if you'd like to make copies of them I'd be happy to do that. The reason I want to hold onto them is I promised every person who signed this petition I would notify them what this committee does and what the status is. But I'll read you the petition. "To all elected officials in the cities, counties, and the State of California: We the undersigned consumers in this state hereby request your support in passing all ordinances mandating individual price marking on consumer commodities. We are not opposed to automated checkstands, but believe the consumers of California must be protected and informed. We are opposed to any sunset clauses and any more test stores in this important legislation.

CHAIRMAN LOCKYER: Sherry, how many signatures did you estimate you have?

SHERRY BAUM: I have about ten thousand in this briefcase. As I said, the California Federated Women's Club have taken up this cause and I guarantee you they will be petitioning in every state and every city in this state. They're very very determined to this.

I want to say something on behalf of these people who gave up their time. You've been very patient with them and we appreciate it, but this does affect them very much. It's bad enough to have suffered the indignity of having to crawl on the floor when you're an elderly person to reach shelf prices. Or if you're handicapped and in a wheelchair. Or if you're legally blind and it's necessary for you to hold that item up to your eyes to read it; that's bad enough. And the embarrassment of having to hold up the
line because there were 30 or 40 items in that cart and you can't remember what that can of peas on the bottom cost when you took it off the shelf. That's bad enough, but to have to feel that you can't express yourself. I appreciate your patience. I want to remind you that it's a cruel and unnecessary expense to ask these people to go to other stores when the store next to them does not item price. They have to spend their valuable dollars to do so.

I'd like you to take this message back to your colleagues in the State Legislature, and let them know this is how the people feel. I guarantee you if you would hold hearings in any other counties that other people would come out for this too. Again, thank you for your time today.

ASSEMBLYMAN ELLIS: How do you account for the fact that Adrienne Gaines gave us an example of a store, right next door, where it's a mechanical, we'll call it, and their store is automated and people are still going to their store? Why do they do that?

SHERRY BAUM: People do like the scanners. Did she not say that was a scanner store?

ASSEMBLYMAN ELLIS: Yes. With the prices removed.

SHERRY BAUM: Only on part of the items, if you recall. See what happens if they remove it on all the items.

ASSEMBLYMAN ELLIS: Well you can't. Everything is marked anyway.

SHERRY BAUM: They do. There are stores in Orange County that do not price at all; they're test stores.

ASSEMBLYMAN ELLIS: No, well you have some items that can't be. Even in the legislation that we had exempt...
SHERRY BAUM: That's the specious argument about pricing produce because it's not hard to remember your pears, it's all your cans and packages that you want to remember.

ASSEMBLYMAN ELLIS: Didn't we have exemptions like with potato chips and things like that? There's always been exemptions to it anyway, even without scanning. It just seems in my mind, and I have no personal experience, because I don't know of any stores in my area that have a scanner, but why people would continue to go to a place that does not have the price on it.

SHERRY BAUM: They may be captives, sir.

ASSEMBLYMAN ELLIS: No, right next door.

SHERRY BAUM: The items that she mentioned that they are not pricing are the exemption items, I've been told.

ASSEMBLYMAN ELLIS: Adrienne says no.

SHERRY BAUM: Why don't we all have a hearing over in Ontario then or Sun City and see what happens? If the people know that they have a platform, that they have a forum. They didn't, as far as I know, know where to go.

ASSEMBLYMAN ELLIS: Well, I think the best platform is the fact that you have two stores, side by side.

ADRIENNE GAINES: Your Shasta products, your country style biscuits, your box soaps are not exemption items. A lot of these items have been normally marked in a store. We have removed those items to see what type of response we're going to get from the consumers.

SHERRY BAUM: Is there anyone here in the audience that can explain it better than I? I'm not known for being articulate. I just have a great deal of feeling for this issue.
KEN STEWART: My name is Ken Stewart. In clarification, the items that were mentioned by the young lady, 95 percent of them are items that have never been marked in a grocery store. The exemption said that we could have a certain weight and a certain size that did not have to be marked; we're referring to Kool-aid, cigarettes, chewing gum, things of that nature. Produce has never been marked. Prior to there ever being any argument whether items should be marked or not be marked, we have never as a clerk, in a grocery store, marked things like Skippy dog food, Tide soap, except in rare occasions in low volume stores. Items that were on ad were never marked. Biscuits are a small, heavily overturned item. Mostly the items that are not being marked at Stater Brothers, in that particular store she mentioned, were items that were never marked in grocery stores prior to any state ordinance. I'm speaking as a clerk who worked in a grocery store, not as a management, not as a union person. I worked in a store for 15 years; I know that we didn't mark. I'm talking from personal experience.

ASSEMBLYMAN ELLIS: You're contending then that her list is essentially the exempt list, that we always had.

KEN STEWART: Part of her list is the exempt list, other parts are parts that were just never marked anyway before there were any scanners. There were many items in a grocery store before scanners that weren't marked. We went through a phase at one time where all milk products were not marked. We went through about a two-year phase that they were marked and found out it's a waste of time and effort to mark half gallons of milk. The price was very standard throughout the industry. So it was not a case of every day the price changing, so you had to remember it. Any time there
was a price change, the prices would be marked so the checkers and the customers could familiarize themselves with those standard items. That's a personal observation.

ADRIENNE GAINES: Then I would have to say let's go way back to the beginning of the corner grocery store where nothing was absolutely marked and the reason that they began to mark prices was the fact you had clerks who could remember 18,000 items in the store as a hypothetical number. The items that we're removing from, some of those items have not been marked before. When I say Jello, that is a category, so you can imagine all the various types of brands, the various types of flavors of jello that are not marked. You take dog food, as long as I can remember that I've been shopping for my dog, the items have been marked. When I go into an Alpha Beta store that dog food is marked, and I go into our store we're not marking that. We're trying to get a response from our customers. As I said earlier, that response has been extremely minimal as far as a negative response.

ASSEMBLYMAN ELLIS: Are you going to carry it a little further in your plans? Are you going to start taking in more of the staple items?

ADRIENNE GAINES: A lot of our Stater saver items are your ad items and Stater saver items are a lot of your staple items. Yes, that will take place, but then again our philosophy is based on consumer acceptance.

ASSEMBLYMAN ELLIS: If you find out that you've gone too far and volume falls off...

ADRIENNE GAINES: We pull back.

ASSEMBLYMAN ELLIS: You go back to item pricing?
ADRIENNE GAINES: Sure. But we have not seen that at all in our Sun City store or many of the stores that I am giving you examples of. If I may point out, we have welcomed the opportunity for legislators, constituents, and consumers in the various different communities, and I welcome that today, to come to our home office facilities. We have nothing to hide from you. We'll educate you. We'll go through our entire process.

CHAIRMAN LOCKYER: Okay, who's next?

KEN STEWART: May I have the floor? I have absolutely no desire to argue with the young lady from Stater Brothers. The exemptions have always been and will always be in the grocery industry. Each company has always done it differently. We talk about stores that were side by side. In Mission Viejo there's a Ralph's and an Alpha Beta, side by side. We did ask the people if they'd like to sign a petition. Mission Viejo is a very well educated class of people, very affluent. We had, I believe it was, 1500 signatures in that eight hour period. We said, "Why don't you shop at Alpha Beta which is not marking prices"? The answer was, "Alpha Beta was higher." We did do a check. We bought exactly the same ten items at Ralph's which was not marking prices, the ten items at Alpha Beta that was. Actually, Ralph's was cheaper overall in the ten items. We had a hell of a time trying to find a comparison, and we're grocers. We know what to look for and where to look. It took us close to two hours to do it.

CHAIRMAN LOCKYER: But you were saying that these customers you talked with had a feeling that one was higher than the other.

KEN STEWART: Yes, but erroneously so, because of the
advertising and the television and the give-away at Ralph's. Every store who has said, "We will give you the product if you find a mistake," you had to bring the package to the manager. The checker couldn't say, "Oh yes, we've made a mistake, here it is, it's yours." It was, "Go find the manager, we'll call him, we'll do this, we'll do that." Twenty minutes later you got the product free, but you had to be persistent. I personally sent a customer back into the store at Ralph's who came out and complained. It was twenty-five minutes from the time she went in until she came out of the store with a 69 cent item. Sure she got it free, but who has that type of time? I think the discussion should be, "Is it necessary for the people to know"? I tend to agree with Pat Blow, knowledge is an absolute. When I get my groceries home and I put them in my cupboard, I compare them to the groceries that are already there. I only know then that the price has gone up. My memory is not so good that I can walk into a store and say I paid 69 cents for this last week or last month. I know it when I put it on the grocery shelf. I also know that if the items are marked, that we have a tendency to be more frugal with the expensive items. Our children are taught that it is an expensive item. They can tell it by the price mark on it, not by a cash register receipt stuck in a drawer somewhere.

There are hundreds and hundreds of reasons that the grocery industry or any industry would prefer us not to know tomorrow what we paid for something yesterday. I think if we bought it yesterday we should know tomorrow by looking at the product. Expensive items are marked clearly, carefully. You give a lot of thought to each product you buy. When you buy your groceries, they're
bought from necessity; when they're used, if they are inexpensive, they are used much more frequently. We have a tendency to eat more baked beans than we do steak. We know there is a cost factor. But between jams, apricot jam and peach, we are more careful if we know the cost to tell the kids, you make it out of apricot jam, son; it was cheaper. Our dollars must be carefully allocated throughout the week, not only at the point of purchase. We also would like to look at one other factor from the Retail Clerks' Union viewpoint, and that's "feather bedding." I think the one thing the lady did say that was absolutely true, not that she didn't say many things, is that labor has increased, not decreased. We are not concerned that we will lose people from work, because we know any system that creates business, with item pricing and the computer, will create more jobs. So that is not a factor. "Feather bedding" is a term used by the railroads when they had someone sitting around doing nothing. Clerks marking products so the consumer is aware is not "feather bedding."

CHAIRMAN LOCKYER: Are you from the Retail Clerks?

KEN STEWART: Yes, I am Mr. Lockyer. I'm Director of Membership Services for the Retail Clerks. If the committee has any questions I'd be more than happy to respond.

CHAIRMAN LOCKYER: I guess not. Thank you very much. We've had four people from the coalition or associates testify. I want to get Mr. Dave Woods to testify before he has to get back to work.

DAVE WOODS: My name is Dave Woods. I'm a programmer analyst, which means I analyze computer systems and write computer programs. I've worked on the financial computer systems of a major
aerospace manufacturing firm and in a bank data processing depart-
ment and as a data processing consultant. I'm currently part of a
team working on a program in contract with a major computer manu-
facturer. So I've worked in a lot of financial systems. I am
currently a Master of Science Degree candidate in business information systems. I'm also a consumer and am responsible for doing about 50 percent of the shopping in my family.

I'd like to talk about why item pricing is good because computers are being used at the checkout stands. Item pricing is the simplest most straightforward and the least costly method to allow a consumer to check the price being charged against what was being expected no matter what method of checkout is used. There are currently three checkout methods used in San Diego County: one method that does not require a computer, which has the checker enter the price into the checkstand; and two methods that require computerized checkstand. One method uses a scanner to enter the code number into the computer. The checker runs the scanner across the code and it enters it into the computer. The other method has the checker enter the code number into the computer, punching in the numbers. With both these methods the computer uses the code numbers entered to find and ring up the price for the item. So far, legislation in the local area has only addressed itself to stores with scanners. The stores that have the checker enter a code that is on the item, have a similar set of problems as the ones with the scanners; you're performing the same function, entering the code. Any item pricing law should address all methods of computerized checkout where the price is determined by the computer rather than the checker.
ASSEMBLYMAN ROSENTHAL: Are there very many of the markets that have computers not have the...

DAVE WOODS: There's one called Price Club that uses a code number on all their items. They don't have item pricing and most people shop there in spite of that because the prices are lower.

ASSEMBLYMAN ROSENTHAL: I see, but that would be the exception. You suggested something in terms of legislation, which I intend to do something about.

DAVE WOODS: Any item pricing law should address all the methods of computerized checkout which is where the prices are determined by the computer rather than the checker. That would be a case where if they put a code number on an item it's either the UCP code or a code internal to the store and they enter that at the checkstand rather than a price. No matter how they do it, the checker enters a code number rather than the price and the computer determines the price from that. It's used in several chains right now. One is only using it for their generic brands and they're expecting to expand this throughout the store, not using the scanner yet, but having the checker enter the numbers. This way they feel they get around any item pricing requirements that are in law in San Diego County right now.

ASSEMBLYMAN ROSENTHAL: I'm aware, for example, when the scanner does not read the item, that the person at the cash register will insert the numbers. I've seen that happen a number of times, but I wasn't aware of markets that had no scanner who had the computer.

DAVE WOODS: The Price Club uses only code numbers on
their items. There are two major outlets here; it's a major ware-
housing type discount buying area store. They have all kinds of
merchandise and the only thing that appears on the item is a code
number. That code number is punched in and the computer takes it
from there much the same way it does with a scanned UPC label. It
goes to the central computer and finds out the price that is being
charged at that point for that item. The same kinds of errors can
occur in that situation as occur with scanners. Fed-Mart's another
one that's using it on their generic items. They're planning to
expand it into other areas of the store, using a code number that
they determine for an item rather than the UPC, until they can pro-
vide scanner equipment for all their stores.

There are some computer myths, half-truths, misbeliefs
that I'd like to talk about. I've heard them stated. One super-
market industry official, when questioned by a consumer advocate
about how consumers would be sure that the shelf prices would
coincide with the computer bar code stated, "Even though there would
be times when a store raised the computer bar code price and someone
forgot to change the shelf tag (it's been admitted that will happen),
the central computer would discover such a discrepancy at the end
of the day." Does this sound good? What's the computer going to
do, sprout legs and go running throughout the store? Not too likely.
The most likely thing is that some person will identify the error
and will have to initiate corrective action based on their identifi-
cation. The computer won't know without someone telling it. Com-
puters are totally stupid. They can't think. They have to be told
exactly how to do everything they do. They do exactly what they're
told to do, right or wrong. Transient errors are actual errors
caused directly by the computer hardware that do not totally shut
down the computer or cause everything to be done wrong. Transient
error would be a scanner, read error or electron out-of-space hit-
ting one of the data storage areas in modifying a price. Transient
error, according to computer industry standards, would occur maybe
once in a million or more transactions. That's a hardware problem.
When you hear somebody say the computer made a mistake it is very
likely that the computer did not make a mistake but that the com-
puter did exactly what it was told. Some human error was involved.
When the stores say that human error will be removed by going to
scanners, this is sort of a misleading statement. It's human error
on the part of a checker, yes, the checker gets everything right.
But once, if a data entry person enters the code number wrong into
the central computer of the store, that wrong price might be
different from the shelf tag and it will be used for thousands of
consumers throughout all the stores that use those central computer
files. So you're institutionalizing computer error. Rather than
one item, one error, affecting one person, you've got it affecting
thousands of people.

Computer industry figures indicate that about 75 percent
of the programmers and analysts in the United States are employed
in maintenance programming. This means they're making changes to
programs and data that are already in existence in computers. Only
about 20 - 30 percent of these changes can be called enhancements
to accommodate company or government requests to create new reports
or process data in a better or new way. This means that about half
of all the programmers and analysts in the United States are
employed to correct errors in programming and data entry. That's
a lot of people, I don't know exactly how many programmers there are currently employed, but according to industry figures 70,000 new jobs for programmers and analysts open up every year. That means 35,000 new jobs just to correct errors in data entry and programming. I'm sure that scanner systems are going to be subject to the same sorts of computers errors that plague every other data processing type application. For the last twenty years we've had this problem. There's no foreseeable way to get rid of these in the near future. A price charge might be different from what the consumer was led to expect by a shelf tag for many different reasons. These reasons fall into two categories: A machine error and a human error. As I said before the machine error is about one in a million chance of happening. If it did, the price stamped on the item is the easiest way to check it, catch it, detect it, and correct it. Human error could be of several types. The consumer could be reading the wrong shelf tag for the item; the shelf tag could be under the wrong area, it could be just totally looking in the wrong spot at a shelf tag, they could be reading the wrong tag, or it could be located in such a way that it can't find the right one and are assuming that this tag applies. The computer item code price could have been changed without a corresponding shelf tag change. The shelf tag price could have been changed without a corresponding computer item change. It could go both ways. The data to change the shelf tag or computer item code could have been entered incorrectly into the computer. So the shelf tag price could agree with the price that's actually charged by the computer, but it may not be what is advertised for that item because they entered the data wrong. The program that returns a price for a computer
item could be written incorrectly. Say they set it up to three items for 29 cents where it's normally ten cents a piece. Normally you would expect to be charged, if you bought four of them, 10¢, 10¢, 9¢, and 10¢ -- to make a total of three for 29 cents plus one for 10¢. It could go 10¢, 10¢, 9¢, and 11¢ and wipe out all your savings depending on how the program is written. It's just an error in programming, it happens all the time. That's what 50 percent of the programmers are out there changing. Advertised specials may have been entered incorrectly if at all.

I was in a store in the San Francisco area about midway through a seven day sale on an item. I went in almost specifically to buy that item. I got a few other things but I needed that item. It was chili. We were going camping and I wanted to stock up on it. The item that I was charged at the checkout stand was the normal price, which was shown on the shelf tag. Next to the normal price shelf tag was a sale price shelf tag and a flag saying this item is on sale for such and such. When I checked out it was charged at the regular price. When I identified this they gave me the item for free like I was told they were going to and they said they would correct the item. This was on the fourth day of the seven day sale. I went back on the seventh day to see if they had changed it. They had never changed the price that was being charged. I bought another can. It was charged to me again at the regular price. They had never gone back and changed the price, so during that seven day sale on that item, how many people bought it?

Unknown?

CHAIRMAN LOCKYER: This was a scanned item?
DAVE WOODS: It was a scanner store. I don't recall whether the prices were actually marked on the items or not.

CHAIRMAN LOCKYER: What's the store?

DAVE WOODS: It was a Gemco up by San Francisco. This was about a year and a half ago. Thousands of consumers could have been effected by this fact that the price was not what they were led to believe by a shelf tag sale price and they got it at the regular price. A faulty memory, which most of us don't remember everything perfectly, might remember both prices and say, "Yeah that sounds right." It might have been flagged in people's minds that "hey this is a sale item and I should have gotten a different price for it when I got to the check stand," but there are a lot of people that won't complain, like I've heard stated, and there are a lot of people that just won't notice. They assume that when they see a price on the shelf that's what they're going to be charged and they don't check. Thousands of people could have been effected by that price change that I identified, that they didn't do. Not putting that in could have been a error on somebody's part. Maybe they tried to put the price in and it went against some other item. Or maybe they just neglected to try to put the price in. I don't think it was on purpose, but it could have been. All these errors are easy for a consumer to detect and correct immediately when item pricing is used, but relatively difficult to detect and correct when the items don't have prices marked. When asked about discrepancies between shelf prices and computer prices, supermarket representatives in a journal I read admitted that there are bound to be some. Associated Grocers in Seattle found 164 discrepancies in a recent survey of one of their stores. I understand there's like 18,000
items in a store and 164 were marked -- the item price that you would get at the checkstand was different from the price marked on the shelf tag. So these errors do occur, it's a human error. It is different from the human error of punching them in at the check-out stand, but it affects everyone that shops there, not just one person. No one guarantees that when the computer prices go up the shelf tags will be changed. They just say they will.

The industry's argument that scanners offer greater accuracy is misleading. I already talked about that. Telling their consumers that their big protection against this pricing problem is a descriptor display at the checkout stand and a fancy receipt tape that lists item names and prices is rather like saying that you can read the contract only after you sign and pay for it, which is not the kind of situation that most consumers like to be in when they're signing a contract. Once you have gone to the checkstand, you are saying, "I want to buy these items at the prices you're going to charge." Also, if you ever thought about the item name they say will be on the receipt tape, they will only have room for ten to 15 letters on a normal receipt tape. How are they going to tell you the full name and size in only ten or 15 letters? If you want to check the prices and there wasn't any item pricing, how would you find the items again in the store with only a ten to 15 letter description so that you can go out and look through the store? To be usable for rechecking in the store, the names would probably have to be 60 to 70 letters or more long, and this would require a receipt tape, probably as wide as an 8½" by 11" sheet of paper since that is about 80 characters wide, ten characters per inch. That would make the cost of the checkstand go up much more than the
savings due to the removing of item pricing. The ten to 15 letters on the receipt tape would also be nearly impossible to use at home for inventory and budget control and price comparison purposes as was recommended in a brochure I read from Alpha Beta. I have an example of some of them; 7 SEA G/GDS. Does anyone know what that is? I don't. There's another one that says apple sauce (no brand, no size). I can't compare different brands of apple sauce when I am only told it's apple sauce that I am being charged 74 cents for. Carnation can milk (Carnation canned milk) if I interpret it correctly. I'm not sure I am interpreting these things correctly. They have to abbreviate to fit it inside of a ten to 15 character area, and those abbreviations are very hard to follow sometimes. That's one of the big things they say is going to be replacing item pricing and I don't think it works.

There's some other problems here. Once a supermarket is completely converted to not using item pricing it is very vulnerable to loss of it's scanners. This would be due to a computer breakdown, power blackout, or brownout, or breakdown in the communication system that communicates between the main computer and the checkstands. Any of these could completely halt all business in the store and result in consumers who have already picked out all their shopping items, having to go to some other store to shop, because they're totally out of business while this is in effect. They'd be out of business until the problem could be corrected, the computer brought up, power restored, whatever. This could take days. Usually they say the computer will be corrected in a few minutes, but my experience with computer errors is that if they aren't in a few minutes they're going to take six, 12 hours, a day, two days,
four days, a week. We've got a computer down right now where I work and it's been down for a week. That means the whole store is out of business. If they want to sell things, they have no way of telling what the prices are unless the checker actually runs back through the store writing down the prices before they actually sell them to a person. If the item prices were on the items, they could get a portable printing calculator and total the prices. They would only be closed down until they get a calculator of some sort, hand held or otherwise. Printing or otherwise. They wouldn't even have to print if you are in an emergency basis. Customer convenience in the middle of shopping if this went down would be a great factor. Requiring item pricing would cover for a lot of that.

We're not disputing that scanners are a good thing. They save the companies a lot of money. I heard somewhere $70,000 to $100,000 savings a year just for item pricing. That is only about one quarter of the total savings. According to supermarket industry writings in the supermarket journals and such, that's only about a quarter of the total savings involved in scanners. Seventy thousand, so the total savings would be $280,000, $70,000 of which could be identified because of item pricing. That works out to about 25 cents on a $100 purchase, which was already stated. Most consumers would be willing to pay 25 cents on every $100 purchase just to have the item prices on there to be checking with.

There was a statement that tags are difficult to change on the shelves. They've made these new tags that are almost impossible to change. Won't that, during times when they're changing the tags, result in more times the person changing those tags might just say forget this, throw the tags on the back of the shelf and
say I've got more work to do? Perhaps. They say there's an item
given free if the error is identified. How many people didn't
identify the error that has been institutionalized by putting it
into the computer? All retailers are honest. That was the state-
ment that was made. I'm not saying all retailers are going to be
dishonest. All it takes is just one. One consumer gets a refund.
How many didn't? Somebody said consumers are confused by multiple
prices on items; you go to a shelf, you look at 18 cans of peas,
and nine of them have 22 cents and nine of them have 20 cents. I
don't find that confusing. I've never found anyone that found that
confusing, they've always bought the 20 cents item. Raising prices
to make up for loss leaders. They stated they wouldn't do that.
Okay, they might not. It would only require five minutes of com-
puter time to change every price in the store. I could write a pro-
gram probably in half an hour that would go through the file of all
prices and identify the four loss leaders, figure out how much esti-
mate of losses would be and raise the prices on everything else to
make up for those prices. They say it won't be done. If there's
nothing there to check, what they say now does not necessarily mean
that that's what's going to happen later. This has been proven in
all other consumer instances. That's why consumer law has developed.

For consumers to go elsewhere, if they want item pricing,
the example was Safeway and Stater Brothers. Stater Brothers is,
if I understand some comments, definitely lower in overall prices
compared to Safeway. So people put up with the risk of having
things charged higher than what they expect or charged different
from what they expect to gain in overall savings. This has been
identified in San Diego price surveys that Safeway is one of the
higher in the San Diego area, as far as overall food prices. So I can see where it might be that Stater Brothers could be lower. As far as going to the manufacturers of scanning equipment for cost savings estimates from the implementation of scanners, generally you'll find the computer manufacturers will overstate those savings that they can identify and they can only identify those items that are actually related to use of the scanner -- not unrelated items such as pricing of items in the store. They don't know exactly how much money is going to be spent on an individual basis to mark prices on items in a given store. The statement was that some savings with scanners, substantial savings with additional item pricing. I think I already addressed that using industry figures saying that the substantial savings are using the scanners not removing the items. Removing the item prices only results in about 25 percent more savings over what they're already saving.

I think that about covers what I had written down. Any questions?

CHAIRMAN LOCKYER: Thank you. We have Mary Solow, Jerry Lynch, and Barbara Friedman as three who were scheduled to testify and perhaps one or two others. Let's make sure that those three talk then see where we are in terms of time.
MARY SOLOW: The Consumer Federation of California welcomes this occasion to come before your committee to submit our comments regarding a resumption of state laws governing item pricing protection. My name is Mary Solow I'm President of the Consumer Federation of California, a statewide federation of organizations and individuals representing about a million Californians working for better programs with consumer protection. 1980 marks the fifth year. Since 1975 the consumer federation has been battling for permanent protection for customers shopping in supermarkets using the electronic checkout system. Since the statewide law was bottled up in committee in Sacramento last year, we've been crisscrossing this great state of ours asking cities and counties to adopt protective ordinances for their own communities. Many of them have done so and to date, I believe numerous cities and counties have adopted their own protective laws. Furthermore item pricing ordinances are under discussion in many other communities. The concern of Californians for continuation of protective laws in this arena has been clearly shown, I believe, as community after community has debated and then adopted their own local laws. And over and over again, and sometimes this morning, I have heard local officials ask that the state again adopt a uniform item pricing law. I'd like to comment briefly to this committee about one of the local ordinances adopted for the City of Los Angeles. My city has adopted permanent item pricing, along with a year long test to permit the industry to remove the prices from cans and packages in 15 stores and test shelf price labeling, and its use with the electronic checkout system. Industry has gotten its much awaited test in the Los Angeles area. A nine person oversight committee, made up of three labor, three industry, and three consumer
representatives, was appointed by Mayor Bradley to oversee the test which commenced right after Labor Day. It will continue through September 1st of next year. I was elected chairperson of that oversight committee. For the test, the markets redesigned shelf labels. I must say that this is perhaps the best news to come to the market customer in many a year. Most of them adhere to the shelf, but I think still can be peeled off by any enterprising six year old or someone with an abalone iron. Customers are being provided with grease pencils and the test to allow them to individually mark their own grocery items. Customers can voice their complaints about the automated checkout system being tested by obtaining a postage paid complaint form near each checkout counter. The complaint form must be approved after being filled out by the consumer by a store official, to be validated and then mailed to an independent auditing firm. The auditing firm will count the cards, visit the stores, report back to the oversight committee quarterly with the first report being due around January of 1981.

I'm concerned about this test, which was designed by industry to test industry without almost any consumer input. It puts almost all the burden on the citizen to detect error, to find and fill out a card, find a store official to complain to and then drop the card into the mail. If that consumer can't read English, and has a problem in the store, that's just too bad. There are at least two or three stores in the Los Angeles area where there were a good 10% of the people that do not speak English. The industry is also proposing to shorten the test to an eleven month test to allow them to go back to the city council and ask that all prices be allowed to be removed from packages in all the stores in the City
of Los Angeles. Only three questions are asked of the customer: Is the price charge different than the price on the product shelf tag? Is the shelf tag missing on an unmarked item and is the receipt tape difficult to read? There's really no room for additional complaint and I don't believe that there are any plans to check out any other source of consumer complaint in the markets. There is in this test, no testing of consumer preference. This has been made clear from the first, that industry is testing itself on how well it can perform some services in the mounting of this test, but it is not necessary to test consumer opinion. This has been the attitude of the industry, unfortunately I think from the very commencement of this test. I think that consumer attitudes toward item price marking and the removal of them is essential.

Over this past weekend, just to get down to a specific example, I shopped in one of the test stores to purchase a good portion of my Thanksgiving supplies. I needed a large amount of can goods which I normally do not buy and saw many other consumers doing the similar shopping. The cup with the grease pencils in the test store was empty. There was another cup in the other entrance to the market, but it was put around the corner so there was no way that a person entering the store could find a grease pencil to mark that. I watched maybe fifteen to twenty people going through, and there was no way that anyone looked anywhere near where the pencils might be displayed. Needing some diet cola I saw an end of the aisle display and there was no price on the items at all and it took several clerks to give me the information I needed. As I proceeded with my shopping needs, I selected a package of all purpose flour. There was no shelf tag on the shelf. Some gremlin had preceded
me and peeled it away, I suppose, if it had ever been there in the first place. Because I had so many groceries, by the time I unloaded them on the conveyer belt, half of my items had already been rung up. Because there was a lengthy line behind me I carted my groceries out to the car and sat down to check my purchases. I did find a mistake, a small one where the clerk had given me one product when it was another. I took my receipt back into the store, stood in line to see the store manager, and then was accompanied by him around the store as we checked out my complaints--the missing shelf label, the missing grease pencils, the overcharge, I got my money back and I got my complaint validated by the market. It's now ready to be mailed in. So actually the supermarket puts in quite a bit more on here than the consumer does to have a complaint made valid. But I'm still concerned that the shelf price tag can be tampered with, and cans can be put in the wrong place to trap the weary shopper. Any time lag in the printing distribution in posting of shelf labels can affect the accuracy of the shelf price. Many consumers have been short-changed when the store failed to record specials with the computer. I don't want to go over all my reasons for being for item pricing. I think they've been outlined here before in some detail today. I do believe that the marking of clear prices on items is an essential part of the shopping process. It's something that each consumer wants, and needs and is willing to pay the 25¢ per $100 of transactions of whatever it's going to cost. We think it's a necessary protection so that we can keep a handle on our own transactions. What I've really been trying to tell you today, and I know that the great many of Californians agree with me, is that we consumers want and need prices to be on items. Along with the
Universal Product Code we accept the new computer scanner system, but we want the item to be marked as well. For the people of California, the Consumer Federation, and myself, ask that you report favorably out a recommendation and I hope that certainly this committee will hear legislation in Sacramento this coming session. Thank you, Mr. Lockyer.

CHAIRMAN LOCKYER: Any questions? Mr. Lench.

JERRY LENCH: Mr. Chairman, thank you for the opportunity to testify and thank you for your patience during this long morning. I'll make my testimony as brief as possible. Frank Kubursky the President of the Southwestern States' Council is here today and I am speaking on his behalf and on behalf of 180,000 members of what is now the United Food and Commercial Workers Union. We have merged with butchers, and we are now the largest AFL-CIO union in the United States and Canada and certainly one of the largest unions in California. We'd like to restate for the record as we have everytime we've testified for the last five years, that we have no quarrel with the scanners. We have never had a quarrel with the scanners. We favor fair profits for the market companies because we know they can't hire our members, who receive good wages, unless they're making fair profits. We argue that they can make fair profits and still mark prices on packages and cans. On that last point, I'd like to give the benefit of some testimony I've heard in half a dozen cities and counties in state hearings. I've heard the price of the cost of labor in a supermarket from marking prices on packages and cans estimated by people from within the industry making the machinery, and store chains and some of the testimony we've heard today, ranging anywhere from $30,000, representative of NCR in Fresno, to the
potential of $100,000 I heard mentioned today. I would point out that when we have the kind of store that uses the scanner technology today we're talking about a store that's doing 8 to 10 million dollars in business and I would like you to consider what the percentage is of the cost should it fall anywhere in the range of those prices we've heard, the cost of labor. Albertson's, Alpha Beta, Ralph's; Mr. Alanbar of Ralph's said 60,000 a store. That is a tiny percentage of one percent and I think that the consumers of California have made it clear that they're willing to pay that small amount in order to be able to read packages and cans with the proper price. Earlier a representative of the industry said, "If this is a labor issue why not in the normal collective bargaining process, talk it over and not make it one of legislation?" We don't think it's a labor issue, but just for the record and for fun, we have brought up the idea of negotiating something about item pricing, or something about the jobs lost in the scanner technology and we have been laughed out of the room. However, if I heard the representative from Stater Brothers saying that her company is now ready to start bargaining and negotiating on item pricing, we're delighted with the information and we'll take it into account. Because you've heard me say these things to you so many times before, I think I would bore you with the reiteration of the testimony you've heard before and I just want to thank you for the opportunity to appear before you and your patience in listening to our testimony. Thank you.

BARBARA FRIEDMAN: I'll try not to be repetitive. It will be difficult with everyone who has been here. My name is Barbara Friedman and I'm consumer representative for Retail Clerks' Union #770. As any job related impacts would have on our membership
is covered by Article 25 of our contract dealing with this issue representing our members as a consumer. I just wanted to make a couple of comments on what has been said. I think it's been very clearly demonstrated that the problems that consumers have with the system is not against new technology, but against the use of the technology. I'm sure that you may have read or heard in committee, it was quoted in the L. A. Times that Les Howe of the Retail Grocers Industry said: "75% of the scanning system has absolutely nothing to do with eliminating item pricing." So it's a little bit difficult for us to understand that that's going to keep some of the smaller stores, doing about a million dollars a year worth of business, from buying a scanner, if in fact that 75% of the benefits of the scanner are going to have nothing to do with eliminating item pricing. I think basically what consumers are saying is we want to do business in a business like kind of way and that most people who have their won business would not buy the kind of merchandise as often as we have to go to the store, without being able to check that what you're paying is exactly what the item actually costs. So I think what we're looking for is a balance. That they need to increase their productivity and use the benefits of a new technology. What we're saying is we think that use should not be abused. The only other thing I wanted to say, and the point has been made about the importance of information. The industry's own study's and again this was reported in the L. A. Times, and I believe discussed by David Roberti, is that industry conducted studies, show that eliminating item pricing inhibits the consumer from spending his or her dollar wisely. I think we're getting that corroboration from both the consumer point of view, and in that kind of study that was done by the industry.
All the polls that I have seen anyway, have showed that the consumers do favor item pricing. We hope the Legislature will respond to that kind of a mandate and we'll certainly be looking forward to working with you in the next session in attempting to make some good strong efforts to get it passed in the Legislature. Thank you.

CHAIRMAN LOCKYER: I have a note that Susan Woods is here representing CAL PIRG.

SUSAN WOODS: My name is Susan Woods and I'm the Consumer Affairs Director for CAL PIRG, California Public Interest Research Group in San Diego. Since CAL PIRG's inception in 1972 we've been a voice for San Diego consumers, along with providing useful, and meaningful information in research findings on a wide variety of consumer subjects. I would like to express our support for statewide law mandating item pricing. We believe consumer's basic right to price information is at stake in this issue. You've heard many reasons today why you, as our elected officials, should or should not instate an item pricing law in the State of California. I suggest that the most important reason to do so is that the voters of San Diego, and California, clearly and overwhelmly want item pricing in the supermarkets. They have shown this over and over, by not only voting in local ordinances to protect this right, but in their responses to public opinion polls. Just for the record we had our city council person, Lucy Killen, stating that we did have a city item pricing ordinance in San Diego. We also have a county item pricing ordinance which will sunset in three years. The four incorporated areas of National City, Chula Vista, La Mesa, and Vista have also passed item pricing ordinances in San Diego County. In March 1980, CAL PIRG conducted public opinion poll to
find out shoppers' feelings on this issue and to assess how much shoppers use the item pricing information currently available to them. The survey was carried out in front of supermarkets in representative areas throughout San Diego city and county. The main food shoppers of families were interviewed and asked five questions. A total sample of 182 interviews were taken. The results clearly showed that consumers both use item pricing and want it continued. If you look on the copy of our survey you'll see that the first four questions were designed to find out how much shoppers currently make use of item pricing. In an approximate 2 to 1 margin, we have found that shoppers not only feel item pricing is useful but they use it in the store, at the register, and at home to make wise and informed purchase decisions, and to help cut the effects of inflation. The last question asks consumers their feeling about the removal of item pricing. An overwhelming majority, 87.3% stated that they would indeed care if stores no longer stamp prices on individual items. This response coincides with a number of other surveys done both state and nationwide. The survey done by the New York Legislature 88.8% of the respondents stated they would mind if item pricing was discontinued. The nationwide study by the U. S. Department of Agriculture found that 93% of the respondents in the Western region of the U. S. found food prices on individual packages to be very useful, to extremely useful. In the same study when given a list of potential labeling information and other food shopping aides that could be available to them, consumers chose prices on packages to be the most useful piece of information they could have. Another survey, which we're all familiar with, showed 92% of the respondents in the State of California had an interest in continuing
item pricing. Industry's main argument in favor of removing prices off of items is that it will be saving stores money and they in turn could pass the savings onto consumers. This seems to be the big bone of contention here today. The only way stores can reap the benefits of removing item pricing is by not lowering prices very much. Otherwise, where would their profits go if they passed it all along to consumers? Even if stores do remove item prices, using U. S. Labor statistics for San Diego County, that was in February 1980, for industry figures, an average family of 4 spending $79 per week for groceries in San Diego would save a mere 25¢ per week by the removal of item pricing. That is only if the stores passed along every single penny of their savings to consumers. That potential 25¢ a week could quickly be lost at the checkstand if the person is unable to spot errors made by the scanner. Whether stores will even pass along any of their savings in the form of lower prices to consumers is yet another issue of concern. The Executive Vice President of Lucky's Stores, Jim Stell, admitted to one of our county officials that when they experimentied with the prices off store in San Leandro, none of the store savings were passed along to consumers.

A consumer group based in Washington, D. C., who has been doing food price surveys for many years could find no evidence that the chain in their area which had installed scanners was passing on their cost savings to consumers. If savings to the stores from usage of scanners, which we found in testimony today, is maybe 75%, is not passed along to consumers, what assurances do we have that savings from removal of item pricing would be passed along either? The Oregon Consumer League compared prices at scanner-
equipped stores with and without item pricing and prices at conventional stores and found there to be no more savings in scanner-equipped stores without item pricing than at other stores. To my knowledge, industry has produced no statistics or formal documentation on the potential savings that consumers could reap if item pricing was removed and the savings passed on to consumers. Stores have given us no indications or assurances whatsoever that any savings realized by them will be passed on to consumers in the form of lower food prices. We've heard many vague assurances, but none reassuring enough for consumers to be willing to agree to let stores remove all prices from items. Are the promises of potential savings worth the dangers in risks? We think not. Hundreds of consumers were here today to tell industry, to tell our legislators, to tell each other that we are willing to pay for item pricing, and industry won't even tell us the cost you asked many times over today. None of them seem to be able to come up with any clear figures on savings. Supermarkets have shown that they compete with each other, not so much by lowering food prices, but by increasing advertising games and gimmicks to attract customers to their stores. Many of them back their claims up with gimmicks of refunds of prices if prices can be found to be lower elsewhere.

CAL PIRG is well respected in the San Diego area for our food price surveys that we have been doing for over 8 years. One of the most outspoken lobbyists against item pricing in San Diego also came out recently in our food price survey as the 7th highest out of eight food stores locally. Their ad gimmick promises consumers they can't lose shopping at their store, and backs this up with an elaborate refund offer. Our study found that after getting
their refund, consumers still lose and currently, upon our request, the City Attorney and the State Attorney General's office is investigating their ad claims. Our City Attorney just recently settled a four-year lawsuit with the same store for false advertising. This store fairly consistently ranks among the higher priced food stores in San Diego. Oddly enough this is the same store whose lobbyists again and again at testimony and through the media, have insisted that consumers must place their full trust in the food chains--and their chain in particular. Yet what reasons have they given us to place this trust in them? Several suits for false advertising, one currently, and another one which may possibly occur. Industry's credibility with consumers is diminishing rapidly, especially when they are lobbying so fiercely to remove prices, all the while promising prices won't be removed, at least not until consumers are ready. Yet they hardly seem to be listening to our strong pleas in survey after survey and pickets and testimony at hearings that we don't want prices removed. Industry argues that that if consumers don't like prices-off-stores they'll shop elsewhere. Maybe we can do this now if we have a choice, but industry spokespeople have said that as old cash registers break down they will be replaced by scanners. When most of all stores have scanners and potential prices-off, what choice do we have then? Stores may lower prices now, to gain consumer acceptance of prices-off, they may even take a loss to do so, but they'll have no incentive to pass on savings later when the majority of stores are prices-off. There will be few alternatives to consumers, they'll be forced to shop blindly, in essence. No wonder so many stores are reluctant to remove prices now before all the other stores are also ready
and scannerized. Consumers may go elsewhere now. They'll do it all together when they are all ready. There's safety in numbers. Consumers will then have no choice, they'll be forced to accept the prices-off-stores if everyone is doing it. In order for the competitive marketplace forces to function correctly, consumers must have a choice. There must be competition. One of consumers' biggest complaints about the removal of item pricing is not being able to tell if the cash register rings up the items properly. Industry argues that for years many items such as produce, dairy goods, and miscellaneous items haven't been price marked. But an average market basket has 60 to 70 items in it. Consumers simply cannot remember correct prices for that many items; not a whole cart full of groceries. An industry's study published in the *Progressive Grocer* showed that very few people can remember prices, mostly because of the wild proliferation of products in today's typical supermarket. In this study of people's price knowledge of 60 staple items, it was shown that the only item that the majority, 86% of the people, could remember accurately, was a six pack of coca-cola. Thirty to thirty-nine percent knew the prices of a handful of products ranging from Camel cigarette to Campbell's tomato soup. The best that most people could manage was a good general knowledge within 5% of prices on some commonly bought items. Before the hearing started this morning, we did a small test survey out in the hall where we showed people prices on 40 items, then went through them again and asked them if they could recall them, and had them fill out a sheet. No one could remember all the prices. I think one person got 10 right. Our nation is build on a system of checks and balances. Should the relationship between
between the consumer and the merchant in the marketplace be any different? An item pricing law would not impose any new or additional restrictions on business. It does not burden industry with any additional regulation. We're asking industry for no more than what they have already been doing for years—providing consumers with a clear and readable price on individual items in the stores. We hope that in consideration of all that has been said today and your great patience, that you will be interested in passing a statewide law on item pricing to protect all the consumers of California.

Thank you.

CHAIRMAN LOCKYER: Thank you.

JIM BARTELL: Good afternoon. My name is Jim Bartell, I'm representing San Diego County Supervisor Jim Bates. On December 11, 1979, Supervisor Bates introduced an ordinance requiring item pricing in the unincorporated areas in San Diego County. He did this for two reasons: One, it enhances the consumers' ability to do comparative shopping; and two, it allows the consumer to check item prices against the cash register once home. On February 26, 1980 the Board of Supervisors adopted this three-year ordinance which parallels the expired Section 13350 of the Business and Professions Code.

Supervisor Bates urges the State Legislature to adopt item pricing provisions statewide, so that supermarkest can respond to this need based on uniform standards and criteria. Thank you.

CHAIRMAN LOCKYER: Well I think we're done and I want to express appreciation for the careful testimony of almost two dozen people from various perspectives. I think it's been constructive and I appreciate your participation.
The Universal Product Code (UPC) could be in the near future "a deathtrap" financially for the packaging converters who do not take the high required quality standards of the UPC imprint seriously. According to Dr. Shelly Harrison of Symbol Technologies, today as much as 10% of the UPC imprinted items in the supermarkets do not scan properly.

Already the seriousness of the situation can be felt with one large supermarket chain in Pennsylvania already announcing to its food, etc. suppliers that if the UPC symbol does not read properly on the store's scanner, the product will be rejected and the line banned from its stores. If such is the case, the package supplier could be sued unmercifully. Proper test units should be available in every plant for approvals at start-up time and during the run by both press personnel and quality control. The packaging manufacturer should make certain that his test equipment is compatible with the laser units in the various supermarkets. We do not use this equipment and must accept the word of others that certain of the test units for sale neither perform nor relate accurately to the equipment at the marketplace and thus, if this is true, could give unfounded complacency to plant operated personnel. The last we knew there was only one laser test unit on the market. This is going to be very serious business and certainly should not be "shrugged off".

Blen-Cal have a missed plastic window detector that will operate, according to them, on a straight line gluer at speeds up to 60,000 per hour on windows as small as 3/4" wide x 1/4" high. The electronic device will detect the presence or absence of the plastic film by scanning the leading edge of the folding carton and of the plastic window. A signal to the triggering head, not accompanied by the correct signal from the window scanning head, will cause an energizing of the output relay. The scanning heads can be moved for different job requirements and carton sizes. A good number of these scanners are successfully operating in folding carton plants and are a great assist in keeping customer complaints to a minimum. For further information contact Joseph Armour, vice president, Blen-Cal Electronics Industries, Inc., 1333 Second Ave., New Hyde Park, NY 11040.
SUMMARY OF POLL CONDUCTED BY PUBLIC RESPONSE ASSOCIATES, INC.

A poll was conducted by Public Response Associates, Inc. of San Francisco in September, 1979 on behalf of the United Food and Commercial Workers Union.

This scientific poll tested the attitudes of 806 respondents statewide, considered an adequate sample by professional standards. Of those tested 49% were male, 51% female.

After first determining those who had heard of automated checkout systems using the Universal Product Code, several questions pertaining to item-pricing were asked.

The results:

When asked what part of inflation hurt the most, rising food costs came first (38%), rising gasoline costs second (34%) rising housing costs third (18%).

Question: How important in the supermarket that items are individually marked with prices?

Very important: 76%. Somewhat important (16%) for a total of 92% considering this item important.

Not too important: 5%. Not at all important: 2%.

NOTE---there is little variation in this response among people who describe themselves with various political labels. For example, considering price marking very important:

Democrats: 79% Republicans: 74% Liberal: 72% Moderate: 79% Conservative: 76% Male: 72% Female: 80% L.A./Orange County: 77% Rest of So. California 82% San Francisco Bay area 69% Rest of California: 78%.

Question: Is this statement believable/not believable?

"No matter what the supermarkets say now, once the new pricing system is in effect, they will find some excuse for not reducing prices."

Very Believable: 57% Somewhat Believable: 30% Not Too Believable: 8% Not At All Believable: 3% Don't Know: 1%

Question: If election were held today on item-pricing initiative?

In favor of initiative: 70%

A general summary would be that:

1. The vast majority of Californians consider prices on packages and cans in automated supermarkets as important. A huge majority (76%) feels it is "very important."

2. If an item-pricing statewide initiative were held today it would pass by a margin of 70%.

3. This feeling crosses all political, philosophic, geographic and age lines.

4. The people feel that whatever savings the markets gain by the new system, they would likely not pass it on to consumers (by a margin of 87%).
APPENDIX B
Hitting The Item Pricing Trail

CC Consumer Groups Charter Buses To San Diego Hearing

By Cally Lavison
Register Staff Writer

If hell hath no fury like a woman scorned, the Labor, Employment and Consumer Affairs Committee of the State Assembly had better prepare for a fiery session Nov. 17.

That's when the committee is considering renewal of the item pricing law, and at least four busloads of Orange County women feel they've been scorned by grocery lobbyists are traveling to the San Diego hearing to push for that renewal.

Item pricing refers to stamping readable prices on each item on grocery store shelves.

Grocers want to discontinue the practice and rely on the computerized lines, bars and numbers which can be deciphered only by checkstand computer scanners. Prices would also be indicated on shelf tags.

Consumers, however, want that price on each separate item, according to Shirlee Earley, who has taken the issue all the way to the California Federation of Women's Clubs, which represents more than 42,000 women statewide.

As chairman of the consumer affairs for Orange District CFWC, she persuaded the state board to make renewal of item pricing one of its projects. The project was adopted in October.

"I haven't talked to one woman who wants the prices removed from the items," Earley says.

"They try to tell us it would save money, but the Southern California Grocers Association says it would save one-fourth of 1 percent of the total food bill or 10 cents on a $40 tab.

For my money, they can keep the 10 cents.

"The bill has to get out of committee," says Baum, "or we'll never have the chance to fight for it in Sacramento."

Since the state law expired, several cities in Orange County have passed local ordinances requiring item pricing.

"If I'm a woman, I want my money's worth. We want the prices clearly marked." - Shirlee Earley

"We want women's voices to be heard," says Earley. "We're trying to organize all the support we can get."

Baum was in charge of rounding up the buses which were donated by Retail Clerks Union Local 324. Her husband, Morton Baum, as director of professional relations for pharmacists and drug clerks, is a member of that union and Mrs. Baum thought "they were the logical people to ask."

A $5 ticket fee will provide interested women with round-trip transportation to the San Diego hearing, a box lunch, and coupons for a shopping spree at Seaport Village.

The 7 a.m. pick-up locations are set for Buena Park, Santa Ana, Huntington Beach and the Irvine and Mission Viejo area.

Meanwhile, state officers of CFWC are circulating petitions in preparation for the state fight. Earley says past successful CFWC campaigns have included fair packaging laws and truth in lending laws.

"If we were successful there," she says, "I see no reason why we shouldn't be here."

Additional information about specific bus stops may be obtained through the Consumer League in Irvine. The number is available from directory assistance.
ORDINANCES ADOPTED

I. Characteristics of the various local ordinances that have been adopted:

A. The ordinances adopted generally break down into these categories:

1. Most only apply to grocery stores equipped with "scanners", of these:
   -- Majority are patterned after the original San Francisco ordinance which allows fewer exemptions than the former state law, and require price marking of some items that are not usually price marked in non-scanning grocery stores.
   -- A few are similar to the former state law, e.g., Garden Grove, Orange County.

2. A few apply to all grocery stores within the jurisdiction, e.g., City of Los Angeles, Contra Costa County.

3. A few permit testing, e.g., City of Los Angeles.

4. Oakland exempts "Minimal Service Grocery Stores" with scanners from the item price marking requirements. These stores are defined as having "store-wide average prices at least 20% below regular prices normally charged by chain retail grocery stores . . ."

II. Over one-half of the 72 local jurisdictions which have adopted ordinances do not have a scanning store within their boundaries.

This shows the over-responsiveness of some local governmental bodies to union and consumer activist pressure. In many cases, ordinances were passed without knowledge of the food industry.

III. Groups responsible for the widespread adoption of local mandatory item pricing ordinances.

The Retail Clerks (now the United Food and Commercial Workers Union), and to a lesser extent, the State Department of Consumer Affairs, at state expense, and some consumer groups.

Apparently the Retail Clerks prefer to pursue their goals in this respect to this issue through governmental action rather than through the collective bargaining process.

They have never argued that any existing retail clerk member would lose their job if item prices were removed. Present union contracts provide their members this protection.
## The Mandatory Item Pricing Issue in California

### In Perspective

<table>
<thead>
<tr>
<th>Food Stores</th>
<th>No.</th>
<th>1980 Est. Sales</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22,400</td>
<td>$25,000</td>
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### I. Specialty, Convenience & Small Grocery Stores

<table>
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<tr>
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<th>1980 Est. Sales</th>
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<tr>
<td>Specialty</td>
<td>19,200</td>
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### II. Supermarkets - Total

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<td>Total</td>
<td>3,200</td>
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#### A. Without Scanners

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<tr>
<td>Without Scanners</td>
<td>2,840</td>
<td>16,400</td>
<td>65.6</td>
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#### B. With Scanners

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<tr>
<td>With Scanners</td>
<td>360</td>
<td>3,600</td>
<td>14.4</td>
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1. **Subject to Local Ordinances***

<table>
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<tr>
<th>No.</th>
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</thead>
<tbody>
<tr>
<td>188</td>
<td>1,880</td>
<td>7.5</td>
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2. **Not Subject to Local Ordinances**

<table>
<thead>
<tr>
<th>No.</th>
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</thead>
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<tr>
<td>172</td>
<td>1,720</td>
<td>6.9</td>
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   **A. Scanning Stores Continuing to Item Price**

<table>
<thead>
<tr>
<th>No.</th>
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<tr>
<td>77</td>
<td>770</td>
<td>3.1</td>
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   **B. Scanning Stores with Reduced Item Pricing**

<table>
<thead>
<tr>
<th>No.</th>
<th>1980 Est. Sales</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>95</td>
<td>950</td>
<td>3.8</td>
</tr>
</tbody>
</table>

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* Includes the 17 test stores authorized under several local ordinances

** Reduced Item Pricing means:

- No. of items normally price marked in a non-scanning supermarket: 75-80%
- No. of items where prices removed: 35%
- No. of items still price marked: 40-45%
Mr. Ron Holley  
Director of Real Estate  
Alpha Beta  
999 Montague Expressway  
Milpitas, CA 95035  

Dear Mr. Holley:  

You asked about the experiences of the Consumer Affairs Department as they relate to the accuracy of scanning systems versus manual check-out systems.  

This department routinely inspects those automatic scanning systems in use in the county. We do not have a routine program for the inspection of manual check-out systems, but have recently conducted a survey to determine if consumers are being overcharged on items advertised at special sale prices.  

SALE ITEM SURVEY  

Thirty-two stores were shopped by department staff from a list of twenty items pre-selected from newspaper advertisements.  

If the items were marked at the sale price they were not purchased (the assumption being that they would be "rung up" at the correct price).  

If the items were not marked with an item price, it was purchased. Of 161 such items, we were overcharged on 4 (2.5%).  

If the item was marked at the higher, non-sale price, it was purchased. Of 94 such items, we were overcharged on 37 (39%).  

The Consumer Affairs Commission has reviewed this survey, has concluded that the mis-marking of sale items is a serious consumer problem, and has recommended that the Board of Supervisors pass a sale item price ordinance. The proposal would require that, when an item is marked with a price, it be an accurate price. The proposed ordinance applies only to stores which do not have scanning systems, and does not require item pricing.  

SCANNING SYSTEMS  

The department routinely inspects the accuracy of scanning systems. Numerous items of merchandise are selected from various areas in the store and the items are passed over the scanning light. The prices charged by the scanner/computer are compared to the advertised prices, the shelf prices and the item prices. Any discrepancies are noted and, when necessary, enforcement actions are taken.
To date, there have been very few problems and enforcement actions have been limited to the issuance of Notices of Violation and, in one case, an informal hearing with the store manager and a deputy district attorney.

CONCLUSION

I have to conclude that a properly operated scanning system is much more accurate than the older manual check-out system.

Scanners also offer easy control from an enforcement standpoint. It is not necessary for the weights and measures inspector to identify the "good" checkers and the "bad" checkers. The inspector need only check the system—and the system provides a detailed document (the sales receipt) which is excellent evidence that the system is (or is not) being operated properly.

Sincerely yours,

Daniel R. Smith, Director
Consumer Affairs Department

DRS:gh
November 14, 1980

Chairman Bill Lockyer
Assembly Labor, Employment & Consumer Affairs Committee
State Capitol
Sacramento, CA 95814

Dear Chairman Lockyer:

We would like to have the attached become part of the record of the Assembly Labor, Employment and Consumer Affairs' November 17, 1980 Interim Hearing on Item Pricing.

Thank you.

Sincerely,

Shirley Goldinger
Director

SG:gs
Attachment
The Los Angeles County Department of Consumer Affairs is responsible for providing consumer protection information and consumer complaint handling for seven million citizens of Los Angeles County.

Consistent with that responsibility the department has opposed and continues to oppose the removal of prices from individual items in supermarkets as not being in the best interest of consumers' "right to know".

In April, 1980, the Los Angeles County Board of Supervisors demonstrated their concern for consumers by enacting an ordinance requiring that prices be marked on items sold in supermarkets within the unincorporated area of the county. For purposes of experimentation, one supermarket was permitted to remove the prices stamped on the individual items. To date, that store has chosen not to avail itself of this procedure.

We do not intend to repeat all of the arguments that have been raised to support the need for legislation mandating the continuation of item pricing. These are a matter of record. We believe it is important however, to make you aware of concerns expressed to us by consumers and we therefore submit the following letters for your information.

It is noteworthy that the complaints consistently describe receiving a refund of the difference between the correct price and the amount of overcharge.

Not a single consumer received the item free, despite the widely publicized claims by supermarkets that, in the event of overcharge, consumers would be given the item in question free.

If the markets fail to honor their claims during this period of experimentation and close scrutiny, what may the public expect in the future? Clearly, consumers have every right to view industry's promises with skepticism.

We believe these letters are a reflection of widespread frustration and unhappiness at the prospect of removal of prices from grocery items. We urge your committee to give the widest possible opportunities for California citizens to express their views on this subject.

Thank you for the opportunity to have this statement included in the testimony.
## Complaint Form

**CONSUMER**

<table>
<thead>
<tr>
<th>S/D</th>
<th>NAME</th>
<th>ADDRESS: NUMBER STREET</th>
<th>CITY</th>
<th>STATE</th>
<th>ZIP CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**COMPLAINT AGAINST**

<table>
<thead>
<tr>
<th>S/D</th>
<th>NAME</th>
<th>ADDRESS: NUMBER STREET</th>
<th>CITY</th>
<th>STATE</th>
<th>ZIP CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alpha Beto</td>
<td>10772 Jefferson Blvd.</td>
<td>Culver City, CA 90232</td>
<td></td>
<td></td>
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</table>

**SALESPERSON OR REPRESENTATIVE**

<table>
<thead>
<tr>
<th>NAME</th>
<th>ADDRESS: NUMBER STREET</th>
<th>CITY</th>
<th>STATE</th>
<th>ZIP CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**DATE OF TRANSACTION**

<table>
<thead>
<tr>
<th>DATE</th>
<th>TELEPHONE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(213) 836-9000</td>
</tr>
</tbody>
</table>

**INSTRUCTIONS:** Fill out both sides of this form. Please print or type. Attach copies of all documents (contracts, receipts, canceled checks, correspondence, etc.). Do not send originals.

**DO YOU SIGN A CONTRACT OR ANY OTHER PAPERS?**

- [ ] Yes
- [ ] No

**IF SO, GIVE THE CONTRACT, INVOICE OR CHARGE ACCOUNT NUMBER AND ATTACH A COPY OF THE DOCUMENT. CONTRACT/ACCOUNT NO.**

**HAVE YOU CONTACTED THE BUSINESS REGARDING THIS COMPLAINT?**

- [ ] Yes
- [ ] No

**SALESPERSON OR REPRESENTATIVE CONTACTED:**

**DATES**

**HAVE YOU FILED THIS COMPLAINT WITH ANOTHER CONSUMER PROTECTION AGENCY?**

- [ ] Yes
- [ ] No

**IF YES, WHICH AGENCY?**

**DO YOU MAKE PAYMENTS TO A PARTY DIFFERENT FROM THE COMPANY OR BUSINESS YOU HAVE FILED THIS COMPLAINT AGAINST? IF YES, TO WHOM?**

- [ ] Yes
- [ ] No

**HAVE YOU RETAINED AN ATTORNEY TO ASSIST YOU IN RESOLVING THIS MATTER?**

- [ ] Yes
- [ ] No

**HAVE YOU FILED THIS COMPLAINT IN SMALL CLAIMS COURT?**

- [ ] Yes
- [ ] No

**DOES THIS COMPLAINT INVOLVE AN ACTIVE LAWSUIT OR OTHER LEGAL ACTION?**

- [ ] Yes
- [ ] No
**COMPLAINT FORM**

**INSTRUCTIONS:** FILL OUT BOTH SIDES OF THIS FORM. PLEASE PRINT OR TYPE. ATTACH COPIES OF ALL DOCUMENTS (CONTRACTS, RECEIPTS, CANCELED CHECKS, CORRESPONDENCE, ETC.). DO NOT SEND ORIGINALS.

<table>
<thead>
<tr>
<th>CONSUMER</th>
<th>S/D</th>
<th>COMPLAINT AGAINST</th>
<th>S/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAME</td>
<td></td>
<td><strong>Ralpho Market</strong></td>
<td></td>
</tr>
<tr>
<td>ADDRESS: NUMBER STREET</td>
<td></td>
<td><strong>SEPULVEDA &amp; HOLTHAM BLVD</strong></td>
<td></td>
</tr>
<tr>
<td>CITY STATE ZIP CODE</td>
<td></td>
<td><strong>TORRANCE, CALIF.</strong></td>
<td></td>
</tr>
<tr>
<td>ELEPHONE: HOME</td>
<td></td>
<td><strong>TELEPHONE</strong></td>
<td><strong>OCTOBER 13, 1980</strong></td>
</tr>
<tr>
<td>ELEPHONE: WORK</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**DID YOU SIGN A CONTRACT OR ANY OTHER PAPERS?**
- **YES** [ ]
- **NO** [x]

**HAVE YOU CONTACTED THE BUSINESS REGARDING THIS COMPLAINT?**
- **YES** [ ]
- **NO** [ ]

**SALESPEOPLE OR REPRESENTATIVE CONTACTED?**
- **YES** [ ]
- **NO** [ ]

**DATE(S) FIGURED THE KNEW**

**HAVE YOU FILED THIS COMPLAINT WITH ANOTHER CONSUMER PROTECTION AGENCY?**
- **YES** [ ]
- **NO** [x]

**DO YOU MAKE PAYMENTS TO A PARTY DIFFERENT FROM THE COMPANY OR BUSINESS YOU HAVE FILED THIS COMPLAINT AGAINST? IF YES, TO WHOM?**

**HAVE YOU RETAINED AN ATTORNEY TO ASSIST YOU IN RESOLVING THIS MATTER?**
- **YES** [ ]
- **NO** [x]

**HAVE YOU FILED THIS COMPLAINT IN SMALL CLAIMS COURT?**
- **YES** [ ]
- **NO** [x]

**DOES THIS COMPLAINT INVOLVE AN ACTIVE LAWSUIT OR OTHER LEGAL ACTION?**
- **YES** [ ]
- **NO** [x]

(COMPLET E BACK SIDE)
Monday afternoon 10-13-80. Purchased 7 items from Ralph's Market-Sepulveda & Hawthorne Blvd, Torrance.

I realized no prices on products, wrote item and price down. Added my list up while in line.

When difference in total I complained. checker compared lists. "Mrs. Paula's Scallops" shelf price $2.49
Scanner price $2.65. Checker gave me the difference did not change scanner price. No further action
taken while I was in store, towards correcting
problem.

Also no shelf price for "Mrs. Paula's Scallops", so unable to compare prices on the 2 brands of
Scallops.

WHAT DO YOU CONSIDER A FAIR AND REASONABLE SETTLEMENT OF YOUR COMPLAINT?
individual prices on all items in store, even with scanner.

READ THE FOLLOWING BEFORE SIGNING BELOW:

I CERTIFY THAT THE INFORMATION CONTAINED IN THIS COMPLAINT AND ALL OF THE INFORMATION I HAVE GIVEN IS TRUE,
CORRECT AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

IN ORDER TO RESOLVE MY COMPLAINT, I UNDERSTAND A COPY OF THIS FORM MAY BE SENT TO THE BUSINESS OR PERSON I HAVE
FILED THIS COMPLAINT AGAINST.

10-23-80
DATE SIGNED

DO NOT FORGET TO INCLUDE COPIES (NOT ORIGINALS) OF ANY DOCUMENTS.
<table>
<thead>
<tr>
<th>Item</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve's call</td>
<td>249</td>
</tr>
<tr>
<td>Scampi</td>
<td>255</td>
</tr>
<tr>
<td>Gruet</td>
<td>614</td>
</tr>
<tr>
<td>Heart</td>
<td>222</td>
</tr>
<tr>
<td>Bread</td>
<td>289</td>
</tr>
<tr>
<td>Nueva</td>
<td>104</td>
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<tr>
<td>Nuca</td>
<td>83</td>
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<tr>
<td>Total</td>
<td>1846</td>
</tr>
</tbody>
</table>

**Ralph's Market**

No Price on X

Mon Oct 13, 1962

---

FOR SUPER VALUES
SHOP AT RALPHS

<table>
<thead>
<tr>
<th>Item</th>
<th>Price</th>
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<tbody>
<tr>
<td>Meat</td>
<td>6.14</td>
</tr>
<tr>
<td>Shrimp</td>
<td>2.55</td>
</tr>
<tr>
<td>Scallops</td>
<td>2.45</td>
</tr>
<tr>
<td>Hard Rolls</td>
<td>1.64</td>
</tr>
<tr>
<td>Grocery</td>
<td>2.83</td>
</tr>
<tr>
<td>Chili Beans</td>
<td>74</td>
</tr>
<tr>
<td>Chili Beans</td>
<td>2.14</td>
</tr>
<tr>
<td>Chili Beans</td>
<td>.74</td>
</tr>
<tr>
<td>Nuca Marg</td>
<td>.83</td>
</tr>
<tr>
<td>Tax Due</td>
<td>.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18.32</td>
</tr>
</tbody>
</table>
Dear Mr. Collins:

An association of 34 years, when ended, deserves some explanation—even when not requested.

1. I have shopped Ralph's for 34 years because:
   a. Ralph's stores and people were always very pleasant and friendly.
   b. I always felt that Ralph's could be believed and trusted. No one thought of being cheated by Ralph's. Ralph's was honest.

What has happened to Ralph's? I have quit Ralph's because:

1. The computer-scanner can be the biggest rip-off foisted on the buying public in this century.
2. Ralph's employees have become as cold, automated and unfriendly as their computers.

Background. The last time I went into your (Gould St.) La Canada store to shop on my way home from work (as I have done since that store opened), this was the scenario:

1. I got vegetables/fruit and started looking for other items I needed and found that none of them was price-ticketed. I did find a package of bacon with a 79¢ price sticker.
2. While waiting in the checkout line, I approached a young woman who is apparently the manager/assistant manager and said I would like to register a mild complaint. She: "Oh, yeah?" Me: "There are a number of items I need that are not price-ticketed, and I will not buy things that do not show a price." She: "Yeah. Well, that's how it is." (My, my! how gracious can you people get?)
3. At the check stand the bacon was run over the scanner, which registered "Bacon, 89¢." I called it to the checker's attention and she credited me with 10¢.

Dissatisfaction has been growing for a long time. Your highly touted computer-scanner is a great management tool, I agree. But it has the potential for abuse, to the cost of the customer. A large weekly grocery purchase for, say, a family of four contains far too many items for a person to remember what the bin tickets said. If you don't price the items, who is going to know (after...
getting home) whether the computer made a mistake? And, if the purchaser believes it did, how can he/she prove it? I'm sure somebody thought of that.

Why do you persist in these silly "give-away" games? Everyone knows that you "give-away" nothing, we are paying for it. Why don't you take that money (the "give-away" plus the attendant advertising) and hire part-time young people (high school/college) to keep your merchandise price-ticketed? Many young people really need a part-time job to supplement whatever income they may have while in school.

Your advertising department seems to assume that people will believe anything if it is shouted at them loudly and frequently and if it is posted in big letters where they can look at it:

1. "Ralph's introduces the end of the long checkout line. If there are more than one or two persons in line we will open another checkout stand." FALSE.

   I have stood 4-5 deep in a checkout line, staring at that particular poster, while there were 2-3 closed stands.

2. "If our computer makes a mistake, you get the item free." FALSE.

   I have caught your computer in errors 3 times, and all that was offered was the difference of the overcharge. That is all I wanted and all I would accept. But I resent the lie.

So, goodbye Ralph's.

In discussing this with numerous friends, I am surprised to learn how many have quit Ralph's for these and related reasons.

After 34 years, I feel you have a right to know these things.

Respectfully yours,

cc: L. A. County Dept. of Consumer Affairs
July 29, 1980

Dear Sir:

The Ralph's Grocery Store at Pacific Coast Highway and Anza Avenue in Torrance, as you are aware, uses a price scanner and prints out a tape of each item purchased and its cost. At this store, most items in stock are not marked as to price; instead the prices are on the shelf under the stocked items.

I appreciate the accuracy and speed of these machines. However I do not like the fact that items do not have individual price markings as this can lead to confusion. For example: in front of two types of Swanson's TV Chicken Dinners, there were five price card markings--two at 93¢, $1.03, 86¢, and another one for over $1.60. In very small print, almost hidden in the metal edges holding the tags, the 93¢ and $1.03 tags said Swanson's Chicken Dinners. However, at the check stand, I was charged $1.09 for the dinner. Five days later when I was again at the store, I noticed that the type of dinner I had bought had been since ticketed at the store. Maybe someone else had complained.

As prices are not marked on the packages, I have two options; either I mark the price on each item that I buy or I write each price on my grocery list. Either way is time consuming and makes me less likely to shop at your store which is near my home. This month (July) I spent nearly $500 on food alone, and I want these packages marked.

I understand that the consumer is protected in regard to individual price marking in Los Angeles City and Los Angeles County. We who live in Torrance are not protected. Must we get the City Council to protect us, too, or will the supermarkets do their share to help the consumer shop wisely?

Sincerely yours,

This is a copy of the letter I sent to Ralph's Grocery Store.
COMPLAINT FORM

INSTRUCTIONS: FILL OUT BOTH SIDES OF THIS FORM. PLEASE PRINT OR TYPE. ATTACH COPIES OF ALL DOCUMENTS (CONTRACTS, RECEIPTS, CANCELED CHECKS, CORRESPONDENCE, ETC.). DO NOT SEND ORIGINALS.

CONSUMER S/D

COMPLAINT AGAINST S/D

NAME OF BUSINESS OR COMPANY

NAME

ADDRESS: NUMBER STREET

CITY STATE ZIP CODE

NAME OF BUSINESS OR COMPANY

SALESPERSON OR REPRESENTATIVE

Executive offices

ADDRESS: NUMBER STREET

CITY STATE ZIP CODE

FOLLOW UP:

DATE OF TRANSACTION

HOME TELEPHONE

WORK TELEPHONE

DID YOU SIGN A CONTRACT OR ANY OTHER PAPERS?

YES, GIVE THE CONTRACT, INVOICE COPY OF THE DOCUMENT, CONTRACT/AGREEMENT.

HAVE YOU CONTACTED THE BUSINESS/SALESPERSON OR REPRESENTATIVE OF THE COMPANY?

HAVE YOU FILED THIS COMPLAINT WITH ANOTHER AGENCY?

HAVE YOU MADE PAYMENTS TO A PARTY TO WHICH YOU HAVE FILED THIS COMPLAINT AGAINST?

HAVE YOU RETAINED AN ATTORNEY TO HELP YOU?

HAVE YOU FILED THIS COMPLAINT IN SMALL CLAIMS COURT?

DOES THIS COMPLAINT INVOLVE AN ACT?
AS BRIEFLY AS POSSIBLE, PLEASE DESCRIBE THE DETAILS OF YOUR COMPLAINT. INCLUDE NAMES OF INDIVIDUALS AND DATES OF EVENTS. BE FACTUAL. USE ADDITIONAL PAGES, IF NECESSARY.

See Attached -

overcharge on Uniform Pricing Lot.

WHAT DO YOU CONSIDER A FAIR AND REASONABLE SETTLEMENT OF YOUR COMPLAINT?

READ THE FOLLOWING BEFORE SIGNING BELOW:

I CERTIFY THAT THE INFORMATION CONTAINED IN THIS COMPLAINT AND ALL OF THE INFORMATION I HAVE GIVEN IS TRUE, CORRECT AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

IN ORDER TO RESOLVE MY COMPLAINT, I UNDERSTAND A COPY OF THIS FORM MAY BE SENT TO THE BUSINESS OR PERSON I HAVE FILED THIS COMPLAINT AGAINST.

SIGNATURE

DATE SIGNED

DO NOT FORGET TO INCLUDE COPIES (NOT ORIGINALS) OF ANY DOCUMENTS.
April 24, 1980

President
Vons Grocery Company
10150 Lower Azusa Road
El Monte, California

Dear Sir or Madam,

This letter concerns electronic pricing.

Last night, the computer read the cost of some sponges as $.75, when they were marked $.45. The checker did not notice the discrepancy, I did. That's almost a 100 percent markup on the price of this one item. I am sending the salescheck to you, and writing this letter, because this is the first time I have understood why there are consumer protection groups fighting this seemingly efficient pricing system.

I wonder how many people paid seventy-five cents for these forty-five cent sponges in this one branch of your markets. Is there any specific action that can be taken to eliminate such errors from your system?

Sincerely yours,

cc: Los Angeles County Department of Consumer Affairs
Enclosure
<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Price</th>
<th>Total</th>
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<td>FM MARGARINE</td>
<td>1.01 F</td>
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<tr>
<td>ORANGE BAG</td>
<td>.79 F</td>
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</tr>
<tr>
<td>CLUB SODA</td>
<td>.49 B</td>
<td></td>
<td>.49</td>
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<tr>
<td>DF DEPOSIT</td>
<td>.20 F</td>
<td></td>
<td>.20</td>
</tr>
<tr>
<td>CLUB SODA</td>
<td>.49 B</td>
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<tr>
<td>DF DEPOSIT</td>
<td>.20 F</td>
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<tr>
<td>FF TOMATOES</td>
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<td>.20LB @ .68/LB</td>
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<tr>
<td>.29LB @ .29/LB</td>
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<td>POTATO WHITE</td>
<td>.23 F</td>
<td></td>
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<td>GG M A CORN</td>
<td>.26 F</td>
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<td>.40LB @ .15/LB</td>
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<td>.06 F</td>
<td></td>
<td>.06</td>
</tr>
<tr>
<td>.29LB @ .79/LB</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>SQUASH ITHL</td>
<td>.23 F</td>
<td></td>
<td>.23</td>
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<tr>
<td>DUMP SPONGE</td>
<td>.75 I</td>
<td></td>
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</tr>
<tr>
<td>1.50LB @ .12/LB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ONION BROWN</td>
<td>.18 F</td>
<td></td>
<td>.18</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>TAXABLE GROC</td>
<td>.75-I</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAXABLE GROC</td>
<td>.45-I</td>
<td></td>
<td></td>
</tr>
<tr>
<td>.23LB @ .39/LB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEAN SPHOUT</td>
<td>.09 F</td>
<td></td>
<td>.09</td>
</tr>
<tr>
<td>HOST BAGY Q</td>
<td>1.29 F</td>
<td></td>
<td>1.29</td>
</tr>
<tr>
<td>TAN .09 MIL.</td>
<td>6.67</td>
<td></td>
<td>6.67</td>
</tr>
<tr>
<td>CSH 10.00 UNQ</td>
<td>3.33</td>
<td></td>
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</tbody>
</table>

Total: 24.13
**COMPLAINT FORM**

**CONSUMER**

**NAME**

**ADDRESS:**  
NUMBER  STREET

**CITY**  **STATE**  **ZIP CODE**

**TELEPHONE:**  **HOME**  
**WORK**

**COMPLAINT AGAINST**

Ralph's Grocery Co.

**NAME OF BUSINESS OR COMPANY**

8704 Sepulveda Blvd.

**SALESPEOPLE OR REPRESENTATIVE**

**ADDRESS:**  
NUMBER  STREET

Los Angeles, CA 90045

**CITY**  **STATE**  **ZIP CODE**

**TELEPHONE:**  **670-2522**

**DATE OF TRANSACTION:**  **7/1/80**

**DID YOU SIGN A CONTRACT OR ANY OTHER PAPERS?**  
**YES**  **NO**

**IF SO, GIVE THE CONTRACT, INVOICE OR CHARGE ACCOUNT NUMBER AND ATTACH A COPY OF THE DOCUMENT CONTRACT/ACCOUNT NO.**

**HAVE YOU CONTACTED THE BUSINESS REGARDING THIS COMPLAINT?**  
**YES**  **NO**

**SALESPEOPLE OR REPRESENTATIVE CONTACTED:**  **DATES**

**HAVE YOU FILED THIS COMPLAINT WITH ANOTHER CONSUMER PROTECTION AGENCY?**  
**YES**  **NO**

**IF YES, WHICH AGENCY?**

**DO YOU MAKE PAYMENTS TO A PARTY DIFFERENT FROM THE COMPANY OR BUSINESS YOU HAVE FILED THIS COMPLAINT AGAINST? IF YES, TO WHOM?**  
**YES**  **NO**

**HAVE YOU RETAINED AN ATTORNEY TO ASSIST YOU IN RESOLVING THIS MATTER?**  
**YES**  **NO**

**HAVE YOU FILED THIS COMPLAINT IN SMALL CLAIMS COURT?**  
**YES**  **NO**

**DOES THIS COMPLAINT INVOLVE AN ACTIVE LAWSUIT OR OTHER LEGAL ACTION?**  
**YES**  **NO**

---

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This complaint is filed because of my concern about computerized check out used in markets and the possibility that stores will cease marking prices on merchandise. (In this instance the price was marked on the merchandise, but the prices were $1.19 and $0.88 for Knott's Apricot/Pineapple jam marked $1.19 and $0.88 for Knott's Marmalade marked $0.69. Apparently the computer was improperly programmed for these items.

I returned to the market to complain to the manager. He refunded the difference which is all I expected - but the transaction cost me time, gasoline, and postage and demonstrates how easily the computerized check out can "rip off" the consumer.

WHAT DO YOU CONSIDER A FAIR AND REASONABLE SETTLEMENT OF YOUR COMPLAINT?

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SIGNATURE ___________________________ DATE SIGNED ________________

DO NOT FORGET TO INCLUDE COPIES (NOT ORIGINALS) OF ANY DOCUMENTS.
July 29, 1930

Dear Sir:

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