Price Verification

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Price Verification: What is it?

Price Verification is a procedure that may be used to check the accuracy of prices charged to consumers. Establishments can use a device to scan a code (UPC or bar code), an automated price look-up method where codes (PLU, Price Look-Up; SKU, Stock Keeping Unit) are manually entered, or where a clerk “rings up” (manually keys in a price) the item price.

Note: While unit pricing is related to price verification, it will not be covered in this seminar.
Authority and References:

- State Laws
- State Regulations
- Handbook 130 Model Regulations for Price Verification
- Local Procedural Manuals
All States have a law on the books that says it isn’t correct to overcharge consumers.

For California it is found in the Business and Professions Code. This code is law, enacted by the State Legislature and signed by the Governor. Price and Quantity Verification laws are found in Division 5, Chapters 1, 2, 6, 6.5 and 13.
Resources: Regulations
Uniform Laws and Regulations
in the areas of legal metrology and
engine fuel quality
as adapted by the 95th National Conference on
Weights and Measures 2010
NIST Handbook 130
2011
Quantity Control Program Manual

This manual is intended to help officials conduct inspections. The procedures and instructions California offers for price verification are detailed in this manual. This includes how to fill out the various forms used in the inspections.
Price Verification: Whether for automatic or manual systems, verifies what a customer is charged at the point-of-sale. Systems are inspected to ensure that consumers are charged accurately during transactions.
Price Verification – Definitions

- **Price Charged**: The price displayed on the customer view screen or printed on the receipt, whether the item is scanned, entered then voided, or purchased.
- **Correct Price**: The lowest of the advertised, quoted, posted, or marked price. If there are no under or overcharges, this will be the same as the price charged. Be aware that store personnel may use this term with a different meaning.
- **Undercharge**: When the price charged for an item is less than the correct price. The dollar value is determined by subtracting the correct price from the price charged.
- **Overcharge**: When the price charged for an item is more than the correct price. The dollar value is determined by subtracting the correct price from the price charged.
- **Percent Overcharge**: The dollar value of the overcharge divided by the correct price for that item then multiplied by 100.
Where is it done?
Who can do inspections?

Price Verification is done by State or local officials authorized by their jurisdictions’ statutes.
When do we do Inspections?

For most jurisdictions, there are no recommended guidelines for the frequency that retailers should be inspected for pricing accuracy. Most counties in California strive to conduct these inspections on an annual basis and whenever there is a complaint.
How Is Price Verification done?
## Suggested Equipment/Items to have on hand

- Camera
- Price Verification Form/paper to take notes
- Calculator
- Copies of the statutes and regulations
- Cell phone if you need to call and confer with a colleague
- Scan gun (optional)
Sample: Price Verification Form

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Sale Price</th>
<th>Shelf Price</th>
<th>Item Price</th>
<th>Regular Price</th>
<th>Tax</th>
<th>Price Charged</th>
<th>Correct Price</th>
<th>- Error</th>
<th>+ Error</th>
<th>% Under Charge</th>
<th>% Over Charge</th>
<th>Item Count</th>
<th>Other Information</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Remarks:**

Subtotal

Tax

Total Error:

Transactions Inspected:

Number of Overcharges:

Total % Overcharge:

Number of Undercharges:

Violations of California B&P Code: [ ] 12024.2 [ ] 12024.6 [ ] 13300

Commodities: [ ] Purchased [ ] Returned [ ] Held for evidence

I have reviewed and received a copy of this report (Owner/Agent) Title: Sealer: By:
More tips on proper documentation:

- Bring a camera and take pictures of questionable signage or displays
- Write legibly
- Double check your math
- Double check items that appear to have rung up incorrectly
- Ask store personnel about errors and write down responses
How do I select a Sample?

- Follow the procedure for your jurisdiction or utilize the procedure found in HB 130, Examination Procedures for Price Verification Inspections.
- In California law, BPC 13356, "random sample" of items means that the selection process shall be modeled after the National Institute of Standards and Technology Handbook 130, 2005 Edition (HB 130) – Examination Procedures for Price Verification, randomized sample collection; stratified sample collection.
ITEMS SHOULD BE SELECTED FROM THE TOP, MIDDLE AND BOTTOM SHELVES; CLIP HANGERS OR OTHER DEVICES SHOULD BE INCLUDED
Remember to include any Special Displays too!
Steps to randomized sample collection procedure

- Determine the number of “areas” in the store.
- Stand alone counters and displays can be considered an area.
- Whole departments can be considered an area (i.e. Bakery, seafood, men’s clothing).
- End-of-aisle displays may be considered as a separate area or as a part of one side of the aisle.
• Divide the sample size by the number of areas. If a fraction results, randomly select additional items from enough “areas” to complete the sample
• Do not test fewer than the required number of samples
• Collect sample using a hand-held UPC code reproducing unit or by taking the merchandise to the cash register
• Select both sale and regular priced items
• Develop a technique for random selection
• Avoid duplication of products
• Do not include more than one item from the same display
• If you use a system of counting by 5, 10 or 15 and the item is out of stock, pick the next item over.
• Include 5 to 10 PLU items when appropriate.
• Do not search and select obvious errors for a routine inspection
Verifying the price of an item

- After selecting the items, have them rung up by the cashier
- Compare the price shown on the receipt with the lowest posted, quoted or advertised price.
- Did they over- or under-charge any of the items?
How do you evaluate items for pricing accuracy?

**Evaluation of Bulk Items:**

- Weighed or measured at the time of sale with a price per unit; e.g. $8.99/lb
- Pre-programmed Price Look Up codes (PLU) are manually entered by clerks whether the item is sold by each or by the pound
PRICE LOOK UP CODE

PLU’s are used for pre-packaged deli or meat products. In these instances, a random weight label is attached that has the price and a bar code. This can be a problem if they go on sale and do not reflect the discount.

The best method to verify that the correct price is being charged for the amount received is to make a “Test Purchase.”
Produce items are often sold using PLU’s.
Document the results on a worksheet
Price Verification – Calculate % Overcharged

• To calculate the % overcharged for an item: (Amount overcharged / correct price x 100)
  – $5 / $24.99 x 100 = 20%

• To calculate the total % overcharge: (total error / correct subtotal x 100)
  – $23 / $1459.19 x 100 = 1.57%
Documentation of your Price Verification Inspection Includes:

• Record the source of advertisements
  • In store, e.g. managers special
  • Corporate advertisement, e.g. billboards, brochures, internet ads, etc.

• Note the lot sizes for overcharged items
• Always note UPC Code number
• Always get a receipt and don’t let store personnel ring up the transaction in training or manager’s mode
Samples of Displays:

- The following slides are examples of what you will see in the marketplace.
- Learning to determine the lowest price for an item will allow you to do inspections more quickly, accurately, and consistently.
- The marketplace is constantly changing, if you are not sure about a sales scheme, contact your supervisor or another expert.
CHERRY TOMATOES
ON THE VINE
99¢
EACH

12 oz.
TUBE

WEEKEND SIZZLER
GO FISH!
ALWAYS READ THE CONDITIONS OF SALE AND EVALUATE THEM FOR CLARITY, “COULD THEY MISLEAD A CUSTOMER?”
Do all of these cost 99 cents?

End Cap Displays can be confusing
A Better End Cap

In this example, the general merchandise is on the top shelf and the Gatorade is all together.
Another End Cap

This End Cap displays general merchandise in the middle of the promoted product.

If the general item is higher priced. Is this a problem?
• Make sure you read the fine print.
• What is the price and what is the discount on?
What is the correct price?

Circulon Classic 10-pc. hard anodized cookware set
Includes 1- and 2-qt. cov’d saucepans, 3-qt. cov’d Dutch oven, 8-qt cov’d stock pot, 8” French skillet & 10” open sauté

#88634
Currently 199.99, Orig. $310
What is the correct price?
Stocking Errors
Ambiguous price signs
Does the 25% apply to everything?
Is it okay to charge $12.77 for these pants?
Is the $26.99 the price after taking 25% off or does the discount apply to the posted price?
What is the price?

$35.95
What does the customer think the price is?

![Sale sign with price list](image)

**2 for 14.99**

<table>
<thead>
<tr>
<th>Towels &amp; rugs by Royal Velvet</th>
<th>Org.</th>
<th>Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bath 27x54&quot;</td>
<td>11.99</td>
<td>2 for 14.99</td>
</tr>
<tr>
<td>Big &amp; soft 30x56</td>
<td>16.99</td>
<td>2 for 21.99</td>
</tr>
<tr>
<td>Hand</td>
<td>8.99</td>
<td>2 for 11.99</td>
</tr>
<tr>
<td>Wash</td>
<td>4.99</td>
<td>2 for 6.99</td>
</tr>
<tr>
<td>Finger tip</td>
<td>4.99</td>
<td>6.99</td>
</tr>
<tr>
<td>Tubemat</td>
<td>4.99</td>
<td>17.99</td>
</tr>
</tbody>
</table>
Check the percentage!

70% off
Campus Kits
by Tommy Hilfiger
- Includes twin-sized comforter, 200-thread count 100% cotton twin flat and twin xl fitted sheets and std pillowcase
- Available in Coconut Grove and Hilfiger Hall patterns

Twin xl
Orig $180  Sale $53.99

69.99 * .57 = 39.8943
What is the correct price?
If everything is at least 50% off, why are the cosmetics only 30% off?
How can you fix a bad ad?
RECENT PRICE VERIFICATION SETTLEMENTS

California 2011 Settlements:

• **CVS Pharmacy** - False and misleading advertisements, overcharging consumers. **$2,020,756** in penalties and cost recovery.

• **Fastenal** - Overcharging on items, display indicators not visible, improper labeling of products. **$292,558** in penalties and costs.

• **99 Cent Only Stores** - False and misleading advertising. **$347,372** in prosecution and investigation costs.

California 2010 Settlements:

• **Petco** - Overcharging, improper tares on bulk goods. **$1,749,000** in penalties and cost recovery.

• **Pep Boys** - Overcharging consumers. **$300,000** in penalties and cost recovery.

• **Sears/Kmart** - Overcharging customers. **$1,100,520** in penalties and cost recovery.

• **Tawa Supermarket** - Overcharging, improper tares on packaged goods. **$65,261** in penalties and cost recovery.
Our ultimate goal as weights and measures officials is compliance.

- NOTICE OF VIOLATION (NOV)
- OFFICE HEARING
- CIVIL ADMINISTRATIVE ACTION
- CRIMINAL CITATION OR COMPLAINT
- CIVIL COMPLAINT