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Thank you, Chairman Schmidt, for the opportunity to testify today on an issue of great importance to Michigan's future and to the thousands of retail businesses and nearly 10 million residents and consumers who make Michigan their home.

I'm Jim Hallan, president and chief executive officer of the Michigan Retailers Association, a statewide trade association based here in Lansing. We represent nearly 5,000 member businesses and their more than 12,000 stores throughout the state — everyone from the smallest family-owned shops to the largest regional and national chains. The Association has served as a trusted business resource for Michigan's retail industry for the past 71 years, and because of the services we provide we have grown to become the nation's largest state trade association of general merchandise retailers.

I'm here, of course, to offer this committee the strongest possible advocacy on behalf of House Bill 4158, the Shopping Reform and Modernization Act. The need for Michigan to throw off the shackles of outdated, overly burdensome and unnecessary regulations by modernizing the current Item Pricing law has been on our agenda for years. That's why we were gratified to hear Governor Snyder put reform of item pricing near the top of his agenda, and why we are pleased and excited that this committee, under your leadership, has the first opportunity to take positive action on the issue. Your action in reporting out the bill will make a strong and forward-looking statement that Michigan is finally ready to start competing for the future.

I am also here representing the Coalition for Retail Pricing Modernization, a broad-based coalition of business groups that have organized in support on this issue. Never in my 25 years of dealing with item pricing reform have I seen retailers and other businesses come together with such an overwhelming and unified focus on helping Michigan make the reforms necessary to make our state competitive again. I don't know of a single retailer that is opposed to reform of item pricing. I am also encouraged by the strong editorial support our efforts are receiving, even by newspapers that have been opposed in the past.

Michigan's Item Pricing Law was enacted in 1976 — 35 years ago, more than *three decades* ago — as a response to fears about the accuracy of what was then new-fangled technology of retail barcodes and checkout scanners. That futuristic technology used a "laser beam" to "magically" ring up the price from those short, straight black lines that make up the barcodes. It's interesting that Governor Snyder likes to talk about "dog years" when referring to how fast we need to reinvent Michigan — seven years of work compressed into one year. But even dog years seem slow when we talk about how fast technology changes and improves over time.

To put the distance between 1976 — the year the Michigan Legislature approved the item pricing law — and today into perspective in terms of the rapid advancement of technology, consider that:

- A company with an unusual corporate name — Apple — was established on April 1, 1976, by Steve Jobs, Steve Wozniak, and Ronald Wayne. Its only product was the Apple I personal computer *kit* — a crude forerunner of what would eventually become the first personal computer. The kits were hand-built by Wozniak.

- In 1976, cellular networks and cell phones were still years away, although designers were drawing their futuristic visions of the first mobile telephones.

- And, in 1976, Sony had just launched the groundbreaking but ill-fated Betamax videocassette recording format, two years ahead of VHS. By the way, it wouldn't be until 1979 that Sony would introduce the world's first portable music player, the Walkman.

Then I ask you to consider that almost all of us in this room carry around in our pockets or purses a smartphone that has vastly more computing power, more phone capacity and more entertainment capabilities than anything ever dreamed about in 1976. My point is that we live in a much different world than we did in 1976. Technology improves and advances. People have become extremely comfortable with technology and dependent upon it, all day, every day. Current law, as it applies to retailing, does not recognize the way we now live — nor anticipate or allow the technologies that have not yet been invented.

So, we can chuckle at some of the 1970s technology that has gone the way of the buggy whip. But I assure you, Michigan's Item Pricing law, another vestige of the 1970s, is no laughing matter.

A new study performed by Anderson Economic Group, a national economic evaluation firm headquartered in East Lansing, looked at the Item Pricing Law in depth and concluded that, conservatively, the state's mandate to individually put a price sticker on virtually every item for sale in a store costs Michigan retailers and their customers more than \$2.2 billion every year. That's a more than \$2.2 billion hidden "load" on our economy that hurts all of us.

This drag on our economy makes Michigan uncompetitive when it comes to attracting business investment and jobs. Only two states have such a restrictive law — Michigan and Massachusetts, and Massachusetts' law only applies to food items. In other words, Michigan stands alone among the 50 states and sticks out like a sore thumb.

Just as important, our item pricing law prevents our residents from enjoying the technological advances and better shopping experiences available to shoppers in other states. No retailer is going to invest in new technologies in Michigan while still stuck with the costs of sticking a messy, adhesive price sticker on every item of merchandise.

To repeat, on this issue Michigan is dead last, and it makes no sense. Forty-nine other states — and the shoppers and retail businesses in those states — are ahead of us. Our goal with this legislation is for Michigan to be #1 — not #50, or even #40 or #20.

Here is what the Shopping Reform and Modernization Act will do:

- It creates a climate that attracts new jobs, investment and innovation;
- It ends a \$2.2 billion hidden load — a drag — on Michigan’s economy;
- It upholds Michigan’s proud history of consumer protection by retaining the popular “bounty” provision that requires payment of the difference, plus 10 times the difference, between the stated price and the price charged at checkout;
- It also protects shoppers by maintaining “rain check” provisions in current state law; and
- It reinforces Attorney General oversight, with tough penalties for violators.

And here, contrary to some of the misinformation you may have heard, is what the legislation will *not* do:

- It will *not* result in lost retail jobs in Michigan’s economy. The Anderson study found that retail employment levels are the same in Michigan as they are in surrounding states without item pricing. If item pricing were really a source of retail jobs, Michigan’s stores would have significantly more employees than stores in other states.
- It will *not* mean that consumers won’t know the price of an item. The legislation requires retailers to clearly communicate the price of an item. All the legislation does is provide a retailer with the flexibility to indicate the price in a way that is best for that store and the store’s customers. Think about it. Retailers hardly want prices to be a secret — they spend millions of dollars a year on advertising and other promotions to let consumers know their prices right down to the penny.
- And it will *not* prevent retailers from continuing to item price if they think that’s a good marketing strategy. Pricing flexibility means just that: flexibility and letting the free market decide what’s best. And consumers who don’t like the way a retailer is communicating prices are free to vote with their feet and shop somewhere else.

I will conclude by stating the obvious: Michigan is in economic crisis. You all recognize that, and it’s why most of you wanted to become a state legislator at this moment in history. You wanted your leadership to make a difference and to help Michigan become nationally and globally competitive once again. We’re glad, we’re excited, that you have taken on this responsibility, and we take heart in the fact that you can translate your goal into positive action. By voting in favor of House Bill 4158, millions upon millions of Michigan consumers and businesses, now and going forward, will benefit from your wise decision.

Thank you for the opportunity to testify this morning. Before I field any questions you have, please allow me to introduce Scott Watkins, Senior Consultant for Anderson Economic Group and the expert who oversaw the research, evaluation and writing of the firm’s item pricing study. We thought you would want to hear from him and then ask questions of both of us.

