



COMPETITION AND CONSUMER PROTECTION COMMISSION

NON-ISSUANCE OF SMALL CHANGE TO CUSTOMERS

**ADVISORY NOTE TO THE RETAIL SECTOR AND CONSUMERS ISSUED
PERSUANT TO SECTIONS 85 AND 5(d) OF THE COMPETITION AND
CONSUMER PROTECTION ACT NO. 24 OF 2010.**

Small Change in this case refers to that part of change that cannot be issued due to non-availability or nonexistence of certain denominated coins and is usually below 50 Ngwee

Introduction

Zambia's legal framework generally allows for the private sector to set prices based on business considerations. However, there are provisions in the Competition and Consumer Protection Act no. 24 of 2010 (the Act) that prohibit some forms of pricing such as excessive pricing, predatory pricing and unfair pricing, which can be a form of unfair trading. These provisions are designed to protect public interest in case of market failures and unconscionable conduct.

Retail pricing practice

One of the most commonly adopted pricing strategy in the retail sector particularly in the Fast Consumer Moving Goods (FCMG) is the psychological pricing strategy. It is a strategy that impacts the consumer's subconscious mind, and involves pricing the goods and services slightly lower than a whole number. For instance, in the retail store, a price of K199.99 is psychologically considered to be lower and more favourable than K200. Although the price is slightly lower, it is only K0.01 short of K200. Therefore, it will be more attractive to consumers if K199.99 is charged for the given commodity than K200. This increases both sales and store attractiveness for enterprises.

Currency in circulation

According to the Bank of Zambia's 2022 National Payment Systems Report; Currency in Circulation (CIC) increased by 8.9% (K14.6 billion) in 2022 compared to 9.8% (K13.5 billion) in 2021. The bulk of this currency was in banknotes, which accounted for 98.4% (K14.4 billion) while coins constituted 1.6% (K0.2 billion). The Bank issued 150.5 million pieces of mint banknotes and coins valued at K3.9 billion into circulation in 2022 compared to 193.4 million pieces valued at K5.5 billion in 2021¹. Zambia currently has six banknotes and four coins in circulation. These are: K100, K50, K20, K10, K5, K2 banknotes K1, 50N, 10N, and 5N coins².

¹ Annual Report for the Year 2022, National Payment Systems in Zambia, Bank of Zambia, https://www.boz.zm/2022NationalPaymentsSystemsAnnualReport_FINAL.pdf

² <https://www.boz.zm/notes-and-coins.htm>

The current set of denominations and coins only support a specific type of pricing such as those denominated in 10N and 5N. These include prices that end with a 5N such as K99.95 or those with a 10N such as K99.90. Zambia currently does not have 1Ns as legal tender. This means for every purchase that requires any other coins as change other than 5N or 10N results in the customer losing the change. Below are figures of current prices in selected retail stores;

Fig 1: Pricing in selected stores



Secondly, due to inflation, the Commission has observed that coins tend to lose value in the eyes of the public as is the case with 10Ns and 5Ns. While the Bank of Zambia has continued to mint and make available the coins in circulation, members of the public tend to hold on to the coins effectively creating a shortage. The shortage of coins in circulation means that consumers even where the price is in current coin supported denomination, are not able to obtain the change they require.

Unfair Trade Practice

Unfair trade practices according to Section 45 of the Act, are those practices that “(a) mislead consumers, (b) compromises the standard of honest and good faith which an enterprise is reasonably expected to meet and (c) those practices that places pressure on consumers by use of harassment or coercion and thereby distorts or is likely is distort the purchasing decision of consumers”.

The non issuance of small change to customers constitutes a form of unfair trade practices. Retail stores accept the offer and consideration (amount to be paid) made by consumers and hence have the implied obligation to retain to the consumer the difference between the purchase price and the amount tendered if any. Equally, consumers, at the point of purchase expect to be given the difference between the purchase price and the amount tendered. The non issuance of small change to consumers after purchase on the premise of the pricing models pursued by enterprises should therefore not be an excuse to the disadvantage of consumers while profitably benefiting the enterprises. Change, however small, accumulates over time resulting in consumers collectively losing thousands of Kwachas annually. For instance, if an average of 500 consumers forfeited a K0.20 across two hundred thirty-six (236) outlets, collectively, consumers would have lost K8,496,000.00 in a year as follows:

No. of Consumers	Change retained by retailer	Outlets	Days	Total amount Retained
500	K0.20	236	1	K23,600.00
500	K0.20	236	30	K708,000.00
500	K0.20	236	365	K8,614,000.00

Nature of Advisory Note

This Advisory Note 10.10.23 (“Note”) is thus issued pursuant to section 85 of the Act which state that; *“the Commission may disseminate in such manner and form as it considers appropriate, information and advice concerning the operations of this Act”*. The Advisory note relates to issuance of small change in retail stores to consumers.

The Retail Sector and Consumers are Advised as Follows

1. While the setting of prices is the prerogative of the retail stores, such stores must ensure that the consumers obtain small change.
2. Consumers are advised to demand for their small change.
3. Consumers are advised to stop hoarding the 10N and 5N coins in order to have them in circulation.
4. Enterprises are equally advised to accept the 10N and 5N coins as legal tender during purchases made by consumers.

Issuer : Competition and Consumer Protection Commission

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