Safeway prone to overcharging customers

By CBS-5

SAN FRANCISCO — When is the last time you checked your receipts? Getting overcharged at the register is more common that you might think.

In a follow up to an undercover investigation into overcharges at Safeway operated stores, ConsumerWatch found Safeway Inc. is even more likely to overcharge you than the average California retailer.

In November, ConsumerWatch reporter Julie Watts went undercover shopping at five Safeway stores in three counties. She was overcharged five times and it turns out that was just the beginning.

According to more than 1,800 scanner inspections at Safeway-operated stores in 31 California counties and 11 states, ConsumerWatch discovered that inspectors were overcharged on 1 out of every 50 items purchased over the past 5 years in California alone.

“It’s not shocking, complexity creates problems,” said the Federal Trade Commission’s David Newman. He points to Safeway’s complex combination of club prices, personalized deals, and short-run sales. With more price fluctuation, comes more opportunity for error and that can benefit the store’s bottom line, said Newman.

“Changing prices all the time generates a certain level Of confusion by consumers and that works to the stores advantage because they have the benefit of having drawn someone in with a sale price,” he said. But Newman pointed out the store is legally obligated to get that sale price right.

“None of this is top secret stuff, you know you don’t need to be NASA or the CIA to figure out how to get the prices right,” said Newman. If stores are not eager to do it on their own, then it’s up to enforcement agencies to incentivize them appropriately.”

That’s what the State of California has attempted to do with three separate lawsuits against Safeway and Vons since 2003. As a result of a 2008 lawsuit, Safeway must now give you an overcharged item for free or a $5 gift card (pending price). During its undercover investigation, ConsumerWatch found that Safeway was violating that portion of the judgment.

Following its detailed public records request from every county in California and every state with a Safeway operated store, ConsumerWatch has now discovered that state, and local officials are well aware of Safeway’s widespread overcharges.

Records show since the most recent lawsuit, the supermarket continued to fail state scanner inspections by overcharging in nearly three-quarters of the reporting counties. That doesn’t include another nine counties which denied access to the documents citing open investigations. The remaining counties have done no inspections or have no Safeway operated stores.

Nationwide, Safeway operates stores in 20 states under sevent different names including Vons, Pavilions, Carrs-Safeway, Dominick’s Finer Foods, Randall’s and Tom Thumb. The retailers have overcharged items in more than 30 percent of the inspections compiled coast to coast.

When asked if the Federal Trade Commission would consider federal action against Safeway considering that the California DA has sued several times to no avail, Newman responded, “You know I can’t comment on whether or not there is any current FTC action involving Safeway or any other company.”

The California Division of Measurement Standards also declined to comment on any ongoing investigations, but last year the agency performed a statewide price verification survey of various retailers.

It found that many stores make scanner errors and some are in your favor. However, the grocery stores inspected for the survey were nearly twice as likely to err in the stores' favor and overcharge instead of undercharge. By comparison, Safeway stores were four times as likely to overcharge than undercharge according to the county inspections preformed during the same year.

The survey also found 28 percent of all of the grocery stores that were inspected failed scanner inspections with at least one overcharge. Safeway's failure rate that year was 44 percent.

Safeway did not respond to those statistics, but it did comment on the findings that inspectors were overcharged on 1 out of 50 items over five years. Safeway claims this places the store "squarely within the industry norms". However, if you compare its 2011 records to the data compiled in the 2011 state-wide survey, their overcharge rate is more than 12 percent higher than grocery stores inspected statewide.

Safeway scanner issues extend far beyond California. Inspections show even higher failure rates in at least three other states yet none has taken legal action. Many states with Safeway operated stores have done no inspections at all.

Safeway said it is committed to eliminating all pricing errors and never intends to overcharge customers. It does not think the inspections compiled for this report accurately reflect its actual performance.

The FTC won't confirm or deny a federal investigation but said it's up to consumers to check receipts and hold Safeway and other stores accountable for overcharges. Consumer in California should hold Safeway to the court-ordered policy and request overcharged items for free.

Safeway's full response:

Dear Ms. Watts:

We have received your email of December 10 regarding your plan to run a follow-up to your recent scanner investigation story.

We are hampered in our ability to respond to your message because you have not given us access to your specific data. However, you say that you have reviewed records showing that "Safeway has overcharged about 1 out of every 50 items inspected over the past 5 years." The California Department of Food & Agriculture's 2011 Statewide Price Verification Survey reported a 1.97 percent overcharge rate out of thousands of purchases at many retail establishments across the State. So, if you do run a follow-up story, we trust you will explain to your viewers that your own research on this subject places Safeway squarely within industry norms. With that said, we would never be satisfied with just being average when it comes to pricing accuracy and, indeed, we are confident that our actual performance is even better than the 98 percent accuracy rate you attribute to Safeway.

It is worth noting there will always be some potential for an occasional discrepancy given the complexity and scale of the retail grocery business. A typical Safeway store carries more than 50,000 items that come in a broad range of sizes, flavors and varieties – not to mention the constant flow of newly introduced and discontinued items. We are frequently adjusting prices based on promotional activity and product cost and supply. Having said that, Safeway has a strict set of policies and systems in place to manage this activity and minimize errors. For example, we self-audit our stores and have our employees sign off to ensure all are following an established and rigorous set of programs and standards to ensure accuracy. We spend significant resources and time and attention to make sure our customers are accurately charged, and we strive to be even better than we are today. Our efforts in this regard are *ongoing.*

Regarding your question about retraining, we have taken steps to ensure our employees are aware of and understood our scan guarantee policy as it relates to all transactions, including our Just For U program.

As we have said before, Safeway has a well-earned reputation for responsive service, as well as a committed desire to achieve fairness in all of our business dealings. Price accuracy is no exception and we never intend to overcharge our customers under any circumstance. When these matters are brought to our attention, we will continue to respond quickly and correct the situation, refund any overpayments, and apply our price accuracy guarantee in a fair and reasonable manner.

Sincerely,

Keith Turner, director of Public Affairs