

Business snapshot

component pricing—electrical goods, whitegoods and furniture advertising



Australian
Competition &
Consumer
Commission



Most businesses rely on advertising to promote the sale of their products or services to consumers—and sellers of electrical goods, whitegoods and furniture are no exception. Price is usually a major factor for consumers when they are considering buying these types of household items, and many shop around to find the best deal. This means that consumers pay close attention to your advertising and any price representations you make, whether on television, on the internet or in a catalogue or newspaper.

Accurate price representations are not just good advertising practice—they are required by law. The Australian Consumer Law (ACL), which is contained in a schedule to the *Competition and Consumer Act 2010*, requires that your advertising correctly represents the goods you are offering for sale, including their price and any other key features or characteristics. This enables consumers to compare similar products and to make informed purchasing decisions.

The component pricing rules require you to make clear price representations to consumers. This snapshot tells you about these rules and how they affect you.

Component pricing

Component pricing is where a business represents the cost of a good or service to consumers in, or as the sum of, multiple component parts. Where no total price is given, consumers may be unaware of the full amount they will have to pay to obtain that good or service. They may be left with the impression that the good or service is being offered at a lower price than it actually is.

The ACL says that if you use component pricing in your advertising, you must also show the single (total) price for the goods or services—as far as it can be quantified at the time you make the price representation. The total price must also be stated in a prominent way and be at least as prominent as the most prominent component.

Prominent way

A prominent single price is one that:

- stands out so that it is easily seen by a consumer
- is clear, eye-catching and noticeable.

You should consider:

- the size, colour and typeface of the text used to display the price
- the placement of the price relative to the background and advertising medium
- how people will see and interpret the advertising message
- the advertising medium—e.g. television, internet, print.

In some media you may have to take extra care to ensure that your advertising complies with the ACL.

For example

An advertisement in a colour brochure for a lounge suite package states up front '6 easy repayments of \$299.95' but obscures the total price of \$1799.70 at the bottom in fine print and a colour similar to the background design.

The single price of \$1799.70 is not as prominent as the most prominent component, \$299.95, and is therefore unlikely to comply with the ACL.

The single price and how to calculate it

The single price means the minimum total cost that a consumer must pay to obtain the good or service—as far as it can be quantified (calculated) at the time the price representation is made. An amount is quantifiable if it can readily be converted into a dollar amount. If it is subject to variation (such as fluctuations in currency), you must calculate it based on information available at that time and clearly advise consumers that it may be subject to change. You should also be aware that the component pricing rules do not prevent consumers from negotiating a lower price with you.

All components should then be totalled. You are required to include the following components:

- charges of any description payable by a consumer to purchase the good or service (e.g. administration fees, compulsory service charges, booking fees)
- taxes, duties, fees, levies or charges payable by the consumer for the supply of the good or service (e.g. the goods and services tax or sales tax).

You do not need to include the following components:

- optional extras—i.e. additional charges a consumer chooses to pay
- sending charges—you may either specify these or include them in the total price
- any non-quantifiable components
- third-party payments paid by your business that are not passed on to the consumer.

For example

An electrical goods retailer places the following advertisement in a store brochure:

Get your HD* on LCD!!!

50 inch LCD television for \$1990**

*** HD = high definition**

**** excludes commission and warehouse retrieval fee**

The commission (\$100) and warehouse retrieval fee (\$50) are both quantifiable by the retailer and are components of the single price. Therefore the LCD television should have been advertised for either a total price of \$2140 or with each of the components listed in addition to the total. The single price also needs to be as prominent as any component.

This advertisement is therefore unlikely to comply with the ACL.

Exceptions

There are two exceptions to the rule requiring that a single price be shown at least as prominently as any component. These are:

1. Where you make a representation exclusively to a business—in this instance you do not need to include a single price.
2. Where services are supplied under a contract (for a term) that also provides for periodic payments—while you still need to provide a prominent single price, that price does not need to be as prominent as any other component.

For example

A business supplies electrical goods to various government departments. A brochure containing corporate products and rates (which are clearly stated as corporate on the cover and throughout the content) is posted to the directors of the finance sections responsible for placing and paying for each department's orders. The brochure is unlikely to be viewed by a consumer audience and clearly identifies the products and prices as applicable to corporations only. The component pricing rules do not apply to pricing representations in the brochure, although the broader requirements of the ACL must still be met.

Component pricing checklist

- Does your single price include all the components you are able to quantify when you make the price representation?
- Are you able to substantiate why you are unable to quantify a particular component?
- Where some components of a price vary or cannot be quantified, have you stated the total price to the extent that it can be calculated? Remember, the fact that a price may be subject to change does not mean that it cannot be quantified.
- Have you clearly advised consumers of any components that are excluded or may vary?
- Is your single price typically for the base-level product (without any optional extras where they are offered)?
- If your advertisements do not contain any component price representations, do they still comply, as required, with the other provisions of the ACL?

Additional obligations

It is important to remember that you must not only comply with the component pricing rules but also satisfy all ACL requirements. This is particularly relevant to your obligation to avoid actually or potentially misleading or deceiving consumers.

Where can I get more information?

For more information on the Competition and Consumer Act, visit the ACCC website www.accc.gov.au or call the ACCC's Small Business Helpline on 1300 302 021.

You can also visit www.consumerlaw.gov.au for an overview of the new consumer law regime operating across Australia. Detailed guidance on sales practices, consumer guarantees, product safety and unfair contract terms is available from this site.

For other business information go to www.business.gov.au

Other ACCC contacts

Infocentre 1300 302 502

Website www.accc.gov.au

For information in languages other than English, call 131 450 and ask for 1300 302 502

TTY service for people with hearing or speech difficulties:
1300 303 609 www.accc.gov.au

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Important notice

This publication has been updated to refer to the *Competition and Consumer Act 2010* which replaces the *Trade Practices Act 1974* on 1 January 2011. For more information on the Australian Consumer Law changes see www.consumerlaw.gov.au

Information in this publication is for general guidance only. It reflects the ACCC's views on what is required to comply with the Competition and Consumer Act 2010. It does not constitute legal advice and should not be relied on as a statement of the law relating to the Act. You should obtain legal advice if there is doubt about whether any conduct may breach the Act.

ISBN 978 1 921581 17 5

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