

Business snapshot

component pricing—restaurants, cafés and hotels



Australian
Competition &
Consumer
Commission



Most businesses rely on advertising to promote the sale of their products or services to consumers—and restaurants, cafés and hotels are no exception. As price and value for money are major factors in decisions to purchase such goods and services, consumers pay close attention to your advertising and any price representations you make—whether in an advertisement, on a sign or on a menu.

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 or services 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.

Component pricing is commonly used by this industry, so it is important that restaurant, café and hotel owners are aware of the rules relating to this practice. 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.

Business snapshot—component pricing—restaurants, cafés and hotels

The ACL says that if you use component pricing in your advertising, you must also show the single (total) price for 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.

Example



The most prominent price in this advertisement is \$249, but this is not the single (total) price of all components. The total price—\$697—is provided. However, the size and colour of the text and its placement against the background makes it less obvious. The advertisement is therefore unlikely to comply with the ACL.

The single price and how to calculate it

The single price is 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.

Example



This advertisement is for a T-bone steak for \$10, upon the condition that a glass of house wine is purchased. The wine is a compulsory cost in order to obtain the steak, but the advertisement does not give a price for the wine or a total price—only the \$10 component. The cost of the wine should be included in the advertisement and form part of the single price.

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 at least as prominent as any other component.

Industry issues

Surcharges

The advertised price of food and beverages on a menu, sign or other advertisement should state the single total cost of each item. Where a percentage surcharge is imposed on top of everyday prices, all advertising needs to provide prices for each item that includes this additional cost if and when it applies.

However, a surcharge imposed as a flat rate per person is not quantifiable—each individual customer pays the same rate no matter how many menu items they order. This type of surcharge is not within the scope of the component pricing rules, although to meet the broader requirements of the ACL—not to mislead or deceive consumers, for example—it is important that you adequately inform consumers of any surcharge that applies.

Example

<i>Beverages</i>	
Soft Drink	\$3.50
Cappuccino, Latte, Short Black	\$4.00
Hot Chocolate (with marshmallows)	\$4.00
Herbal (loose leaf) Teas	\$5.00/pot
Iced Chocolate/Coffee	\$5.00
Ice Cream Spider	\$5.50
<small>Note: a 10% surcharge will be imposed on Sundays and public holidays.</small>	

This menu does not provide a single price that includes the 10% surcharge, so is likely to breach the ACL. On days the surcharge applies, customers need to be provided with a price list that includes the surcharge and reflects the total price.

Dining specials or discount deals

If you advertise a discount on the full price of a menu, this will ordinarily not involve component pricing. You may provide patrons with a full-price menu and advise them of the discount or promotion however you wish—by signage or otherwise. However, you should be careful to avoid potentially misleading or deceiving consumers about these specials.

Example



This advertisement is not misleading and is unlikely to breach the ACL.

Accommodation packages


If you use component advertising for promoting hotel package deals, you also need to provide a single price that represents the total cost of the package. This price must include the cost of all components (to the extent they are quantifiable) when the representation is made, and must be displayed at least as prominently as the most prominent component.

Example

Scuba dive in the Whitsundays

5 nights at a 5 star
waterfront villa with
tropical breakfast daily...
for only \$1399 per person**

* Introductory scuba lesson and equipment hire for 3 days included
* \$1399 price quoted for a standard hotel room, upgrade to waterfront
villa and tropical breakfast daily are additional costs



This package is represented as being a five-night stay at a five-star waterfront villa in the Whitsundays with a tropical breakfast daily—all for \$1399. However, the fine print indicates that this price does not include breakfast and applies to a standard room, not a deluxe waterfront villa—these will cost extra.

\$1399 is not a single (total) price for what is represented as being included in the package, and the advertisement is likely to breach the ACL.

Additional obligations

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

Component pricing checklist

- Does the single price you have provided include all compulsory costs that you are able to quantify when you make the price representation?
- Does the single price of an advertised package include the component cost of everything represented as being part of that package?
- When it is applicable, does your total price include any surcharges or additional costs that may apply on certain days or at certain times of the year?
- 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?
- If your advertisements do not contain any component price representations, do they still comply, as required, with the other provisions of the ACL?

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

The information in this publication is for general guidance only. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any jurisdiction. Because it is intended only as a general guide, it may contain generalisations. You should obtain professional advice if you have any specific concern.

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ISBN 978 1 921581 38 0

ACCC 12/10_44164_216