

INFORMATION SHEET

Producing TVCs which includes Component Pricing

Component pricing

This information sheet sets out the points to consider when producing a television commercial that includes component pricing (including cash back offers).

Component pricing is the advertising of a price in its component parts rather than as a single (total) figure. A commercial that makes a representation about the price of goods or services using component pricing runs the risk of creating an impression that the total price of the product is cheaper than it actually is.

To ensure that consumers are able to make informed choices and recognising that price is usually a major consideration in influencing consumers' purchasing decisions, the Australian Consumer Law (ACL) requires any price advertising to include the 'single price' at least as prominently as the component or part of the price which is advertised.

This is additional to the requirement that any advertising or marketing materials not be false, misleading or deceptive.

Single price - minimum total quantifiable cost at the time the commercial is produced

A 'single price' is the **minimum total cost** that is quantifiable at the time the commercial is produced. This 'single price' must include all of the following:

- **any charges payable by a consumer** to purchase the good or service (for example, administration fees, compulsory service charges, booking fees); and
- **any taxes, duties, fees, levies or charges payable by the consumer** for the supply of the good or service (for example, GST or sales tax).

The 'single price' does **not** need to include:

- optional extras – additional charges the consumer may choose to pay;
- delivery charges – unless, at the time of the commercial, you are aware of a minimum charge that must be paid to receive the good or service;
- components that are not quantifiable at the time the commercial is run (see below for further details); or
- amounts the business pays to third parties that are not passed onto the consumer.

Calculating or quantifying components

A charge is quantifiable if, at the time of the commercial, it can **readily be converted into a dollar amount**. The 'single figure' is the sum of all these quantifiable components. Where a total price involves:

- a combination of quantifiable and non-quantifiable components; or
- a component amount that fluctuates or varies (for example, a component price reliant on foreign exchange rates);

you must calculate the components and total price based on the **available information at the time the commercial is produced**.

Where the 'single price' is a mixture of quantifiable and non-quantifiable components, the charges that are quantifiable should be represented as a single figure and the commercial must state that not all components are included in the single figure price. The commercial must also indicate the basis on which the amounts were calculated and that they may change. Please note that the fact a price may be subject to change does not mean it cannot be quantified.

If you decide not to include a component as part of a total price because you cannot quantify a component, you will need to be able to substantiate why you are unable to calculate the amount.

Some charges will not be quantifiable because they are contingent on a customer's choices. For example, where charges vary according to geographic region (for example, additional freight charges applicable to goods advertised nationally that vary according to the geographic location), these charges are unlikely to be a quantifiable component of the single total price to be charged for the product and failure to include them in a price would likely not breach the single figure price requirement. A business could advertise a recommended national price (being the 'single price' excluding the additional freight cost) but prominently disclose that additional freight costs may apply.

Prominence of single price

You are required to display the 'single price' **at least as prominently as the most prominent component price** or part of the price which is advertised. A consumer should be able to identify the 'single price' (ie total cost) as easily as the most prominent component price or part of that total.

The 'single price' should be clear, eye-catching and noticeable and stand out so that it is easily identifiable by a consumer. When deciding how to display the component prices and the 'single price', you should consider:

- size, colour and font of text used to display the price;
- placement of the price relative to the background of the commercial;
- duration of price representation on screen;
- any special effects (such as text movement, shading, fade-in or fade-out); and
- how viewers will see and hear and interpret the advertising message.

For example, if the single price is smaller or in a font colour that is harder to read than any component price, then this is likely to mean that it is not as prominent.

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

Cash back offers

“Cash back” offers are a form of discounting where manufacturers or retailers maintain the price of a good or service and then offer to return some of the consumer’s money after the purchase. Where a consumer is required to pay an amount of money to acquire the good or service and then has to actively take steps to receive a reimbursement from the manufacturer or retailer, a commercial representing the price “after cash back” without the amount the consumer must initially pay is likely to mislead the consumer and be in breach of the single price requirement.

It is best practice to state the amount the consumer must pay as prominently as the amount the consumer pays following the "cash back" reimbursement.

Travel commercials using multiple share rates

Where travel packages and accommodation are advertised at a per person multiple share rate (for example \$500 per person twin share), best practice to comply with the component pricing provisions of the ACL would be to state the total minimum price payable to take advantage of that offer (that is \$1000) at least as prominently as the per person rate.

Unless it is possible for a person to buy a one person share at the advertised price without also paying for the other shares, you should consider that there may be a risk that the price representations made could be considered a breach of the ACL requirements if you do not include the total minimum price payable.

Regardless of whether you state the total minimum price payable, it should be made clear in a commercial that an advertised per person price is only available on a multiple share basis to take advantage of the advertised offer.

How the price representation is conveyed in a TVC

It is important to remember that representations can be made by written words, images, symbols or pictures and voice overs or sounds. For television commercials, the ACCC expects:

- **Audio (voice over)** – where a component price representation is made verbally, the single price should also be stated verbally and in a way that is as prominent as the component price. For example, if a component price representation is made at the beginning of the commercial, the total price should be stated in a clear and timely way, not muffled at the end of the commercial.
- **Visual (text)** – where the component price representation is made in writing, the single price should also be shown in writing and in a way that is as prominent as the component price. For example, if the component price representation is on screen in a clear, large font, the total price should also be shown in a clear, large font and not in fine print at the end of the commercial.
- **Mixed method (voice over and text)** – where the commercial includes a component price representation in both audio and visual methods, the single total price must be made clear in both audio and vision to ensure that the minimum total price payable is made clear to the consumer.

More generally, the ACCC considers that:

- Brief commercials (often lasting 30 seconds or less) are only capable of conveying limited amounts of information. Accordingly, advertisers should be conscious that using this media may only be possible to make simple offers or advertise the availability of goods or services in a general way.
- Television commercials may use a combination of images, text and commentary to create an overall impression. These elements should be balanced in a way that ensures none of the important elements of the offer are obscured by other parts of the presentation.
- Misrepresentations may occur by using graphics that divert attention away from important text, or commentary that is too briefly displayed or spoken, or too faint to be understood or heard.
- Important qualifications should appear for sufficient time on screen (as text, symbols or graphics) to be understood by the audience and reinforced by voice overs.

Hypothetical Examples

Example 1: A commercial promoting an accommodation package - component price in vision only

Likely to be prohibited

The text appearing on the screen reads:

Escape to the Mountains
Luxury accommodation
From \$199 per person per night*
Includes hot buffet breakfast

* Minimum 3 night stay. Subject to availability.

The voice over states:

“Why not treat yourself to a relaxing Mountain escape? Enjoy deluxe accommodation and a delicious hot buffet breakfast each morning. Call us now!”

Unlikely to be prohibited

The text appearing on the screen reads:

Escape to the Mountains
Luxury accommodation
From \$199 per person per night*
Includes hot buffet breakfast

***Minimum 3 night stay at just \$597. Subject to availability**

The voice over states:

“Why not treat yourself to a relaxing Mountain escape? Enjoy deluxe accommodation and a delicious full buffet breakfast each morning. Call us now!”

Example 2: A commercial for a football cap at a cost of \$2 with the purchase of a newspaper – component price in audio only

Likely to be prohibited

The text on the screen reads:

Get your fantastic football cap*

* With the purchase of the Daily Post

The voice over states:

“Get your hands on this fantastic football cap and you’ll be ready for the new season. Only \$2, and only with tomorrow’s Daily Post.

Unlikely to be prohibited

The text on the screen reads:

Get your fantastic football*cap

*With the purchase of the Daily Post

The voice over states:

“Get your hands on this fantastic football cap for \$2 and you’ll be ready for the new season. Only with the purchase of tomorrow’s Daily Post. Total price \$4.50.

Example 3: A commercial promoting a “cash back” offer – component price in audio and vision

Likely to be prohibited

The text on the screen reads:

Latest cameras only **\$400**
after \$50 cash back!*

*Redeemable from the manufacturer.

The voice over states:

“End of Financial Year Sale – all cameras must go. Get yourself the latest camera for a bargain at only \$400 after \$50 cash back.”

Unlikely to be prohibited

The text on the screen reads:

Latest cameras only **\$400**
after \$50 cash back!*

Price before cash back **\$450**

*Redeemable from the manufacturer.

The voice over states:

“End of Financial Year Sale – all cameras must go. Get yourself the latest camera for a bargain at only \$450 and get \$50 cash back!”

Example 4: A commercial promoting a discounted product with the purchase of another product– component price in audio and vision

Likely to be prohibited

The text on the screen reads:

DVD Player only **\$10!**
When you purchase any television priced at \$500 or more

The voice over states:

“Purchase any television priced at \$500 or above and get a DVD player for only \$10. That’s great value!”

Unlikely to be prohibited

The text on the screen reads:

DVD player only **\$10!**
When you purchase a television priced at \$500 or more.
Total package cost from **\$510**

The voice over states:

“Purchase any television priced at \$500 or above and get a DVD player for only \$10. That’s great value from only \$510 for the package.”

Example 5: A commercial for the sale of dining chairs by a furniture retailer – component price in audio and vision

Likely to be prohibited

The text on the screen reads:

\$50* leather dining chairs!!!!
*Conditions apply

The voice over states:

“Quality leather dining chairs only \$50 each. That’s a bargain!”

Unlikely to be prohibited

The text on the screen reads:

\$50 leather dining chairs!!!!
Minimum purchase of 4.
Total price **\$200**

The voice over states:

“Quality leather dining chairs only \$50 each when you purchase 4. That’s a bargain at a total cost of \$200.”

Example 6: A commercial for tickets to a concert – component price in audio and vision

Likely to be prohibited

The text on the screen reads:

Live on Stage
Tickets \$80 plus \$5 booking fee
ON SALE NOW!

The voice over states:

“Once in a lifetime opportunity to experience this amazing performance live at the Arena. Tickets are only \$80 and are on sale now.”

Unlikely to be prohibited

The text on the screen reads:

Live on Stage
Tickets \$80 plus \$5 booking fee.
Total cost \$85
ON SALE NOW!

The voice over states:

“Once in a lifetime opportunity to experience this amazing performance live at the Arena. Tickets are only \$85. On sale now!”

See: Appendix A: [Information Sheet – Producing TVCs with Disclaimers & Other On-Screen Text](#)

For further information please contact CAD on 02 8968 7200 or email us at cad@freetv.com.au