

## Australian Hotels Association – 53C article

### Component pricing – the essentials for hotels and related businesses

Most hotels use advertising to promote their services for sale. These services may include accommodation, dining options, day spas and others, often in the form of package deals. Price and value for money are usually major considerations for consumers when they are choosing to use these services, so it is important to ensure that all pricing information is clear and accurate. This is not just good advertising practice, but required by law under the Trade Practices Act 1974 (the TPA).

One pricing practice which may be adopted by hotels in some circumstances is component pricing. Component pricing is where a business represents the cost of a good or services to consumers in, or as the sum of, multiple component parts. There have been some recent changes to the rules on this type of pricing under section 53C of the TPA which require you to make clearer price representations. Most importantly, where you use this type of pricing you must provide a *single (total) price* at least *as prominently as the most prominent component*.

#### ***Prominence***

A ‘prominent’ single price is one that stands out so that it is easily seen by a consumer and is clear, eye-catching and noticeable. You should consider the size, colour and type of font used for describing the price and its placement, relative to the background and advertising medium. Think about how the audience will interpret your message whether it is shown on television, the internet or in print.

#### ***Single price***

The single price is the minimum cost to a consumer to obtain the service or good - that is quantifiable at the time the representation is made. It must contain all amounts incurred by you that are passed on to the consumer such as taxes, duties, fees, levies or charges but does not need to include optional extras. You may choose to include delivery charges but where they are compulsory and known they must be stated in the advertisement.

Representations made to or that may potentially be viewed by consumers must comply with section 53C. Representations made *exclusively* to other corporations are exempt. Contracts for services that provide for periodic payments still need to provide a prominent single price, although not as prominent as any other component.

#### ***Quantifiable***

A component is ‘quantifiable’ if it can be readily converted into a dollar amount. If a component cannot be quantified at the time of the representation, those that are able to be calculated should be given as a single figure and consumers clearly advised that some amounts are excluded. Alternately, if a component may vary, you should calculate it based on information available at that time and again clearly advise consumers that it may change.

## 53C and common industry practice

The principles outlined above apply to all component price advertising to consumers – including hotels and related businesses. The following examples may help you to understand its application to this industry.

### *Hotel packages*

Hotel package deals must be advertised to consumers as a single total cost inclusive of all components represented as being part of that package. If you also choose to use component pricing in the advertisement, remember that the total must be stated at least as prominently as the most prominent component. If a component cost may vary, calculate it based on information available if possible and clearly advise consumers.

### Example

**~ \$249 Glitz and Glamour Gold Coast Package ~**

*Gear yourself up for some **glitz and glamour** and feel like a star with this indulgent weekend package that includes deluxe 4 star accommodation, spa treatments and 1 hour limousine tour*

*\*\$249 per room per night based on 2 night stay + \$99 spa treatments + \$100 limousine tour for a total of \$697*

The most prominent advertised cost of the package is \$249. This is not representative of the total however, nor is the total provided at least as prominently due to its font colour, size and placement as compared to the background. The advertisement is therefore unlikely to comply with section 53C. Furthermore, the advertised cost of \$249 may risk misleading consumers as to the total cost of the package, as it excludes a number of advertised inclusions and does not clearly refer consumers to the terms and conditions in the fine print.

### Example

**Valentines Day Romantic Rendezvous special.....**

**\$249** per person for 2 nights for a **total** of **\$498\***

\* Total includes complimentary champagne and chocolates on arrival, full buffet breakfast on both days and undercover parking

The single price of \$498 is stated at least as prominently as the advertised component cost of \$249. The advertisement is also clear about the package inclusions and is likely to comply with section 53C and the TPA more broadly.

### *Public holiday surcharges*

The advertised price of food and beverages whether it is 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 the prices of each item inclusive of this additional cost.

Alternatively, if a surcharge is imposed as a flat rate per person it is not quantifiable as it is paid by each customer as a ‘one off’ whether they order one or multiple menu items. This type of surcharge does not fall within the scope of section 53C although to meet the broader requirements of the TPA it is important that you adequately inform consumers of the cost when it is applicable.

### 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

Note: a 10% surcharge will be imposed on Sundays and public holidays.

This menu does not provide a single price that is inclusive of the 10% surcharge and so is likely to breach section 53C on days the surcharge applies. Customers need to be provided with a pricelist that shows the single price to be paid at the time they purchase the food or beverage – in this example that means that on Sundays and public holidays they must be provided with a single total price inclusive of the surcharge.

### *Dining specials*

Where you offer a discount on the full price of all or some menu items, you are not generally making a ‘part price’ representation and as such will not be subject to the requirements of section 53C. While you could choose to provide a menu that reflected the discounted prices, you would not be required to do so by the new provision. Similarly, ‘two for the price of one’ offers provide a consumer with the option of obtaining two items for the price they would usually pay for one and would also not need to be treated any differently under the new provision.

### Examples

Twilight dining offer – 25% off the total bill for orders placed before 6pm

Half price lunches on Tuesdays & Thursdays

The above promotions are not captured by section 53C as they do not make ‘part price’ representations or use component pricing.