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**Pricing Gimmicks or Real Deals**

Many consumers look forward to discounts, promotions and specials with a hope to save some money. On the other hand many businesses use pricing gimmicks to attract consumers or to get them through the door.

Unfortunately, with pricing gimmicks consumers are left to figure out if they are getting a good deal and in most cases they will never know.While buyers may not be able to completely guard themselves from these pricing tricks, some information can be of help. Here are a few things to be aware of before you look for bargain.

**Introductory prices and offers** – Have you seen promotional rates like “one month’s free subscription” or “6 months fixed interest rate”? Introductory prices and offers are made to get you through the door. Once inside, rates and recurring charges can increase after the expiry of the promotional period.

**Loyalty cards** – Do you prefer discounts for immediate benefit or bonus points to redeem later for an item? The assessment of the loyalty/rewards programmes by the Council in 2014 disclosed that these programs offer poor rewards where loyal customers generally save less than a dollar per $100 spent.

**Up to 50% off** –Retailers put "50% OFF" in large print, with "up to" in much smaller print to attract consumer’s attention. Often only few items are marked down to get you in the door, while the majority of the items remain on normal prices.

**Normal vs. sale price** – The Council has found that it is a normal practice for retailers to display a sale price on items but without disclosing the original price. In such case consumers will never know how much they are saving.

**Marking up and marking down -**It is also common for some traders to mark products with a higher "original" price and then marking them down so that buyers feel that they are getting a good deal. For example: Mrs. Ram came across an in- store advertisement which read: $6.63, normal price for 4 kg flour and the special price to be $4.99. Consumers know flour is a price control item and it must be sold at $5.45 (4 kg) but not more than this. In this case, Mrs Ram was led to believe that she was saving $1.64 but in reality she saved only 46 cents.

This is a case of misleading consumers with the use of such pricing strategy.

**Prices that end in “99”** – Do you notice that most sale prices often end with “99” - where a $6 cup of coffee becomes $5.99 or a $200 microwave becomes $199. Such pricing makes consumers think that retailers have arrived at a price through careful calculation.

**One time only sale-** Another popular tactic used by furniture, housewares and hardware stores is to use the term "one time only sale" to impress consumers that the best prices is being offered and it will never be repeated.

**Bundling, combo or group pricing –** retailers love to price things in groups. For example, a supermarket 'special' price tag shows bathing soap at $0.67 each or 3 for $2.00. It creates the impression that a consumer will save by buying three when in fact there is no gain - $0.67 x 3 = $2.01 which rounds off to $2.00.

Misleading pricing is not only bad for the consumers, it is also bad for competition because it creates an uneven playing field between businesses based on ethics that stick to the spirit of the law and those that push the boundaries too far.

The <u>**Commerce Commission Decree 2010**</u> protects consumers from false or misleading representation in relation to the supply and use of goods and services. Section 77 (1) (g) stipulates:
***"A person shall not, in trade or commerce, in connexion with the supply or possible supply of goods or services or in connexion with the promotion by any means of the supply or use of goods and services….<u>make a representation concerning that a price advantage of goods or services exist if it does not</u>…."***

Pursuant to the Act, any promotion of supply of goods and services and/or advertisements containing false or misleading statement amounts to an offence.