

# CLIENT NOTE



## FRESH CLARITY ON PRICE TRANSPARENCY

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### Introduction

1. Perpetual “Closing Down Sales!”, tiny font in “up to 90% off!”, large differences between final and advertised prices, and the aggravation these practices inflict on consumers may soon be consigned to part of our collective memory in Singapore.
2. The Competition and Consumer Commission of Singapore (“**CCCS**”) recently published draft guidelines on price transparency, setting out CCCS’ views on various practices in relation to the display and advertising of prices. In particular, the CCCS opined on the circumstances where businesses may fall afoul of the Consumer Protection (Fair Trading) Act (Cap. 52A) (“**CP(FT)A**”).
3. This article sets out the 4 price-display practices discussed in the draft guidelines and briefly highlights the guidelines’ potential implications for businesses. The 4 practices discussed by the CCCS are:
  - (a) Drip pricing and pre-ticked boxes;
  - (b) Price comparisons;
  - (c) Discounts; and
  - (d) The use of the term “free”.
4. In essence, to be compliant with the CP(FT)A, prices displayed or advertised should not be false or misleading.

### Drip Pricing and Pre-ticked boxes

5. “Drip pricing” refers to the practice of advertising a product or service at a lower advertised price than the final price that a consumer would pay. The final price is typically higher as the supplier builds in pre-ticked boxes (selecting additional goods or services) in the purchasing process.

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6. CCCS provided the following guidelines:
  - (a) Unavoidable or mandatory fees should be included in the advertised price;
  - (b) GST-inclusive prices should be displayed at least as prominently as the GST-exclusive price;
  - (c) Unavoidable fees (e.g. currency conversions) in cross-border transactions should be disclosed at the point of billing; and
  - (d) Optional add-ons should be prominent and properly disclosed.

## **Price Comparison with Competitors**

7. In essence, price comparisons with competitors' pricing should not be false or misleading. Suppliers are to conduct their own research and be ready to substantiate that the comparison is not false or misleading.

## **Discounts**

8. Similarly, discounts should not be false or misleading. The CCCS identified two common misrepresentations made by suppliers:
  - (a) Misrepresentation of price benefit (e.g. misrepresenting pre-discount prices); and
  - (b) Misrepresentation of the duration of sale (e.g. "limited period only" sales which continue perpetually).
9. Further, qualifying terms such as "up to 50% off" or "as low as \$2" must be easily readable and published close to the prices advertised.

## **Use of the term "Free"**

10. The term "free" should not be used in a false or misleading manner. If the term is used, suppliers should not seek compensation in other ways. Further, conditions that consumers must meet before they are eligible for the free goods or services must be set out upfront, prominently.

## **How will these developments impact your businesses?**

11. The publication of these draft guidelines signal that CCCS may be taking enforcement action against the discussed unfair trading practices in the near future.

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12. In general, your firm should review its price display and advertising practices to ensure that they comply with the letter and spirit of guidelines.
13. More specifically, your firm may consider the following:
  - (a) Keeping records of competitors' prices and its own historical prices. Under the CP(FTA), the onus is on your firm to substantiate claims that it is indeed offering a discount or a better price as compared to its competitors.
  - (b) Disclosing its terms and conditions and price breakdowns clearly.
14. The implementation of the guidelines will also have the salutary effect of increasing price transparency in Singapore. As such, it will be easier to uncover your competitors' prices. Your firm may consider conducting regular checks to ensure that its prices are competitive.
15. Please do not hesitate to contact us if you have any query concerning this Client Note.

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