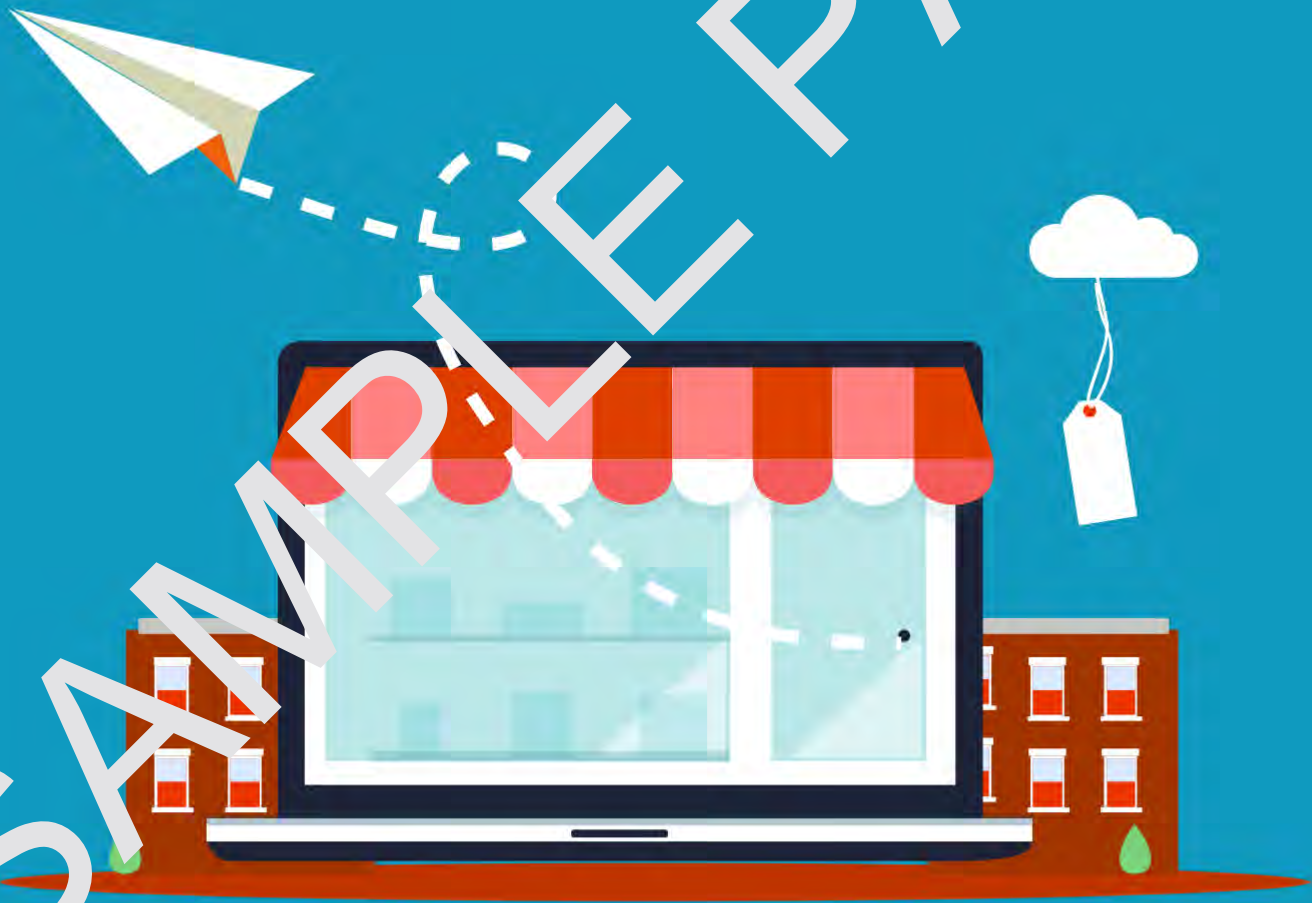


Strategic

COMMERCE

SAMPLE PAGES



QR code enriched
with online resources.
Use phone, or type short
code into accompanying
website

Matthew Parsons

The nature of commerce

Students

- investigate the scope of commerce, including the concepts of: consumer, needs and wants, goods and services, resources, scarcity and how these may impact on choice

Consumer and financial decisions

Students

- explain factors influencing consumer and financial decisions, for example advertising/marketing, age, convenience, culture, customer choice, disposable income, environmental considerations and social media
- examine how individuals make particular decisions, including:
 - whether to spend or save, eg being prepared for unexpected expenses
 - what to buy, eg different types of goods and services
 - where to buy, eg locally, regionally, interstate or globally; physical or online store
- investigate advantages and disadvantages of different payment options, including:
 - deciding whether to use cash or cashless transactions
 - the use of credit to make purchases, including the facilities offered by lenders and financial institutions
 - selecting and applying appropriate criteria to rank alternative purchasing options
- reflect on their own purchasing decisions, including affordability, the decision-making processes they have used in the past, and how they might change these in the future

Consumer protection

Students:

- investigate the need for consumer protection
- explain the reasons for, and features of, a simple contract, for example through the construction of a written contract for a financial transaction
- investigate the legal rights and responsibilities of consumers, including protection through legislation, for example the purpose of the Competition and Consumer Act 2010
- explore the assistance and protection provided by consumer protection agencies and independent bodies and organisations, including state and federal government agencies
- examine the processes of consumer redress, for example proposing options for a consumer who has purchased a product that is not fit for purpose/of acceptable quality

Financial management

Students:

- investigate the consequences of poor financial management, including:
 - excessive debt
 - impact on wellbeing of the individual and families
- discuss the role and importance of long-term financial strategies, including superannuation
- investigate tools and strategies for effective financial management, including:
 - monitoring and record-keeping to avoid overcommitment, eg managing mobile phone costs
 - budgets, eg using digital technologies to develop a financial plan
 - savings and superannuation plans
- compare options for addressing financial difficulty, including:
 - negotiating an alternative payment plan
 - seeking support via a financial institution

Chapter 2

CONSUMER AND FINANCIAL DECISIONS



This first core topic of the course considers **decisions** taken by individuals in our society (including you throughout your life) in relation to **consumer decisions** (buying goods and services) and **financial decisions** (borrowing and investing activities).

Consumers are one of the three key groupings in society, of **consumers** (individuals), **businesses** and **government**. Consumers purchase the goods and services which are produced by the businesses, and the government regulates (controls by setting and enforcing laws) what can be sold by the businesses and protects consumers from unfair practices by business. Consumers may also provide their time and effort to businesses as employees in exchange for wages. In this way, consumers obtain income from business, part of which they then use to purchase goods and services from other businesses.

2.1 The nature of commerce

2.1.1 THE SCOPE OF COMMERCE

Commerce is defined as **the activities involved in the buying and selling of products** - specifically the buying and selling of goods and services. The Commerce course then addresses a range of different activities that occur in relation to how goods and services are produced, marketed and sold in Australia by businesses, regulated by governments, to consumers.

Of course, consumers have limited resources (money) to purchase goods and services. They do not have unlimited income to use to purchase all the goods and services that they may want. Even though the wants of consumers are unlimited, their resources to purchase those goods and services (their income and their savings) are limited. The limit on their resources is referred to as **scarcity**. Because their resources are limited (scarce), this means that consumers **must make choices**.

For example:

- **You** as a consumer have to make choices as to how to use pocket money or cash from part time jobs, whether to purchase clothes, movie tickets or sporting equipment,
- a **grandparent** as a consumer has to make choices as to which clothes to buy, whether to holiday or purchase new furniture,
- a **parent** as a consumer has to make choices as to where to live, what car or investments to purchase.

Throughout your life you will be a consumer in many different contexts, purchasing a wide range of goods and services from businesses.

Syllabus

Students investigate the scope of commerce, including the concepts of: consumer, needs and wants, goods and services, resources, scarcity and how these may impact on choice

Consumer

One that consumes, purchasing goods or services for direct use or ownership rather than for resale or use in production and manufacturing.

Scarcity

Refers to resources being finite and limited. - in short supply.



Link
L8

Consumers in Australia purchase a wide range of goods and services each year. A typical household in Australia spends the following proportions (%) of its income on the following types of goods and services (2020, ABS CPI weights):

Category of household spending	Share of spending (%)
Housing	24.1
Food and non alcoholic beverages (drinks)	17.4
Recreation and culture	8.7
Transport	10.2
Furnishings, household equipment and services	8.8
Alcohol & tobacco	8.9
Insurance & financial services	5.1
Health	6.3
Education	4.7
Clothing and footwear	3.3
Communication	2.5
Total	100

Think about the number of decisions consumers must make every year:

- where to live - what apartment or house to rent or buy
- what food to purchase to eat and drink every day from the wide range of offerings from food and drink producers available at a wide range of different stores
- what recreation activities to participate in, or concert tickets or streaming services to buy
- how to meet our travel needs - buy a car, a bike, an electric scooter, rent a bike, use sharing services like GoGet, use an Uber, a taxi or public transport
- what furniture and equipment to have in our homes - there are so many different types of desks, chairs, kitchen equipment and other furnishings available from a very wide range of physical and online stores
- what insurance policies should you purchase to protect your assets, and your financial security, and what types of financial and banking services should you purchase - consumers even have to select a bank from the wide range of banks that offer services to hold your money, or to make a loan

Wants and needs

Sometimes consumers purchase goods and services necessary for survival, including food and shelter. These are referred to as **needs**. On the other hand, sometimes consumers purchase goods and services which are not necessary for survival (for example cosmetics or sporting equipment). These are referred to as **wants**.



Link
L9



Link
L9b

Syllabus

Students investigate the socio-economic, including the concepts of needs and wants

something that you must have, in order to live.

Wants

something that you wish to have, to add comforts in your life.

Goods and services

Consumers purchase a wide range of goods and services, and there is an important difference between **goods** and **services**. Goods are physical things which are purchased. Goods can be touched and then belong to the purchaser - for example when you purchase a new bag. It is a physical object, which is referred to as being **tangible**. On the other hand, **services** are not tangible, they cannot be touched, and are referred to as intangible. For example, when you purchase a Qantas ticket for a flight to Perth you do not buy the plane (which would be tangible) but you buy the service of moving your person and luggage to Perth (which is a service, and is **intangible**). Examples are in the table below.

Category	Consumer decision	Whether good or service
Housing	Buy house	Good
	Pay rent	Service
	Pay builder for renovations	Service
Food and non alcoholic beverages (drinks)	Buy a Coca Cola	Good
	Buy fruit	Good
	Pay for food delivery	Service
Recreation and culture	Buy a concert ticket	Service
	Pay for national park entry	Service
	Buy a hockey stick	Good
Transport	Buy a train ticket	Service
	Buy an airline ticket	Service
	Buy a car	Good
	Pay for car service	Service
Furnishings, household equipment and services	Buy a desk	Good
	Buy new curtains	Good
	Pay for lawn mowing	Service
	Pay for professional gutter cleaning	Service
Alcohol & tobacco	Buy alcohol	Good
Insurance & financial services	Buy car insurance	Service
	Pay for financial advice	Service
Health	Go to the doctor	Service
	Buy medicine at pharmacy	Good
	Pay for x ray	Service
Education	Buy a textbook	Good
	Buy pens and pencils	Good
	Pay school fees	Service
Clothing and footwear	Buy a dress	Good
	Buy shoes	Good
	Pay for trouser alteration	Service
	Pay for dry cleaning	Service
Communication	Buy a mobile phone	Good
	Pay for mobile calls and texts	Service
	Pay for Netflix	Service

Syllabus

Students investigate the scope of commerce, including the nature of goods and services.

Good

An item purchased by the consumer which is tangible (can be touched).

Service

An item purchased by the consumer which is intangible (cannot be touched).



Link
L10



Link
L11

In addition to the distinction between goods and services, there is also two different **types of goods**.

Some goods that consumers decide to purchase are for immediate consumption - for example the purchase of a sandwich for lunch. Other goods that consumers decide to purchase they will use over a longer period - for example a kettle to boil water in the kitchen, or a mower to mow the lawns. The goods that are to be used over a longer period of time are referred to as **durable goods**.

On the other hand, goods that will be shortly consumed are referred to as **non-durable goods**.

Syllabus

Students investigate the scope of commerce, including the concept of resources



Economic resources

An economist refers to four resources within an economy:

land (all natural resources),

labour (the hours of workers),

capital (goods used in production and loans) and

enterprise

(entrepreneurial spirit to assemble the resources and start a business).

Resources

Resources available to consumers in order to make consumer and financial decisions vary widely in our community.

These variations can occur as a result of differences in:

- **income** - from a variety of sources including employment income, profit from businesses operated by the consumer, or investment income. Of course, consumers are required to pay tax on their income, such that it is their after tax income (also referred to as disposable income) which can be used for the purchase of goods and services.
- **wealth** - the collection of objects of value (including savings, a car, a house, investment property etc) that the consumer has that they could sell in order to purchase different goods and services.
- **borrowing capacity** - depending upon the level of the consumer's income and wealth, banks (also called financial institutions) may be more prepared to offer the consumer loans with which they can then purchase goods and services. Borrowing capacity, especially for young borrowers, can also be increased where another person (often a parent) guarantees the borrowing by offering security to the bank over property owned by the parent.

In order to purchase goods and services consumers must either have the required cash for the transaction, or an ability to borrow the required cash from someone else, in order to make the purchase.

In Australia there is a significant variation in income and wealth levels, which represents very significant variation in the resources available to different consumers in Australia. In 2017/18 the average weekly income before tax in Australia was \$2,242 and the average disposable income was \$1,062. However, averages can be misleading as they reflect the impact of a small number of higher income earners, and so the median (or middle level) of income is more representative. The median income before tax was \$1,701 and the median disposable weekly income was \$899.

What this means is that the typical consumer in Australia may have around \$900 per week to purchase goods and services being a range of all of their purchases to address the needs and wants of themselves and their dependents (their families). Unless they borrow money, or use past savings, this will be the limit of the amount of goods and services the consumer can purchase during the week.



Link
L11b

Impact on consumer choice

Each of these elements then, for consumers, will have an impact on the purchase decisions of those consumers. Consumers will tend to first purchase goods and services to satisfy their needs, and then any surplus funds may be directed towards the purchase of goods and services which may be wants. Resources to purchase goods and services are limited (finite), and that scarcity then means that consumers have to make choices - they have **unlimited wants but limited resources**. Different consumers will have different levels of resources, and so some consumers may be more able, and more likely, to purchase luxury branded goods compared to other consumers.

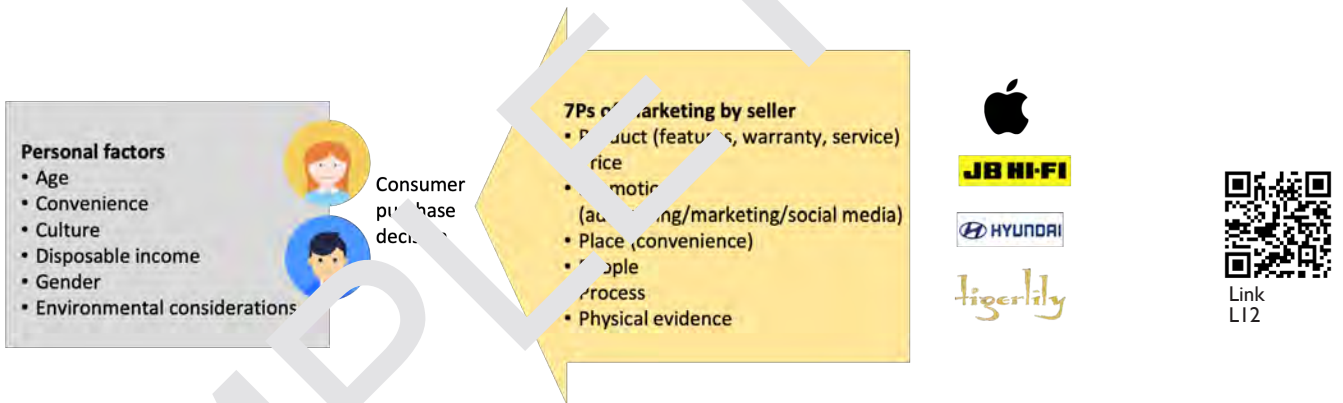
2.2 Consumer and financial decisions

2.2.1 FACTORS AFFECTING CONSUMER AND FINANCIAL DECISIONS

When considering purchasing a product there are a range of key factors that will impact the decision that a consumer will make. Some of these factors relate to the person, specifically their age, gender, preference for convenience and concern about protecting the environment. Other factors relate to the features of the product, specifically price, whether finance is offered to assist the purchaser to buy the product, any after sales service provided and the way the product has been marketed (promoted and advertised) to the consumer. Each of these factors are discussed below.

Summary

Students explain factors influencing consumer and financial decisions, for example advertising/marketing, age, convenience, culture, customer service, disposable income, environmental considerations and social media



Personal factors

The decisions a particular consumer will make, as to the product or service to be purchased, and also the time when the goods are purchased, will be influenced by:

- **Age:** some items are more typically purchased by or for children, including toys, school uniforms, textbooks and childrens' books. On the other hand, large print books or personal mobility scooters would be more likely purchased by older consumers. Of course, when purchasing a gift item often a consumer purchases a product that better matches the age, or gender, or the intended recipient of the gift rather than that of the purchaser.
- **Convenience:** some consumers do not have much time (called time poor) and highly value being able to conveniently purchase goods locally rather than having to travel significant distances to the store. A closer store is also convenient where there may be after purchase actions, including product returns, or product servicing which is required. The importance of convenience to a customer will therefore influence the location where the consumer purchases the good or service.



Link
L13

- **Culture:** cultural factors refer to a typical set of values, beliefs and ideologies of a particular community or group of individuals. Very common cultural analysis occurs in relation to the typical values, beliefs and ideologies of national groups - for example the culture of Australians, or the culture of the English, Americans or Indians. Cultural norms form part of the individual, and impact the decisions they make, and their consumer choices. Those cultural norms are learned from their parents who are members of that culture, from their friends, from the media and customs and practices that are common within that cultural grouping. This then becomes the culture of the consumer. For example, Australia has an outdoor culture which results in more consumer purchasing decisions in relation to aquatic accessories, sporting goods and swimming costumes than would occur by the same number of people in Scotland.
- **Customer service:** consumers have different preferences in relation to the way they would like to be treated as a customer. Some consumers, particularly those unsure about the products and their features, may prefer personalised in-store service by a sales assistant or representative, and the availability of that assistance is an important decision in terms of where and how they choose to shop. On the other hand, some consumers have already determined what they want to buy, and prefer an efficient online or mobile device purchase with a focus on price and the ability to track a fast delivery of the purchase. Good experiences with the customer service of a business may tend to make the consumer return for subsequent purchases.
- **Disposable income:** different consumers will have different amounts of disposable income, which refers to their income after paying applicable income and other taxes. Consumers with higher disposable incomes are more likely to buy more goods in total, and also more likely to purchase more luxury branded goods and services with higher quality and brand prestige.
- **Gender:** whilst some goods are unisex, other goods are more commonly bought by each gender. This would include clothing items, personal grooming items, shoes, eyeglasses and sporting equipment.
- **Environmental considerations:** in the same way as consumers may have different preferences in relation to convenience, concern for the environment also differs between consumers. Whilst generally concern for the protection and preservation of the environment is increasing, this is not universal across all consumers. These considerations can include ethical sourcing (i.e. free trade chocolate or coffee), the absence of testing on animals (cosmetics) or the extent and type of packaging used in the packaging of the product.



Advertising and marketing - elements of the 7Ps of Marketing

Advertising and marketing and social media as influences on consumer and financial decisions are part of what is referred to as the 7Ps of marketing. The 7Ps is a universally recognised approach to the development of a marketing strategy. Students often imagine that marketing is simply the advertising of a product, which significantly underestimates the wide and varied role that marketing in a business must play. Marketing design the product, set the pricing strategy, determine the promotion strategy, and decide where and how the products should be sold (price strategy). Then, in the context especially of services businesses (consider airlines) marketing must determine the processes involved in purchasing and delivering the product, the types of people and their approach that will engage with the customer, and finally the design, quality and placement of all of the physical evidence elements with which the customer will interact (signage, building, forms, website etc).

Syllabus

Students explain how advertising and marketing influences consumer and financial decisions, for example advertising, marketing, social media



Link
L14

If you go on to study Business Studies in Year 11 and Year 12 you will learn more about the 7Ps of marketing. Each of the decisions by marketing on the 7Ps will affect the consumer decision, as the consumer is influenced by the promotion of the product to determine if there is a fit between the product, price and place of the good with their needs and preferences for, amongst other things, convenience and environmental considerations.

Marketing P	Description
Product	The design of the actual product being sold, including its packaging, warranty and any associated services. A business design their products to meet the needs of consumers and then use the other Ps to attract the consumer to make the decision to purchase the product to satisfy the needs of the consumer. This will also include whether the seller will provide finance (a loan) to the purchaser, and what interest rate will apply. Some businesses often use this to affect consumer decisions – offering finance of up to 5 years interest free.
Price	The pricing of the goods, which is often also a signal of the quality of the materials, manufacturing, and durability of the product - higher price usually higher quality.
Promotion	The promotional activities that the business use to educate and attract potential consumers to purchase the product. This can include television advertisements, sponsorships, billboards, magazine advertisements, product catalogues, sales, product demonstrations and social media campaigns.
Place	Where the product or service is actually purchased and consumed. This will have a significant impact on the customers' desires for convenience as to both location and time of being able to complete the purchase and physically obtain the goods.
People	The staff including sales people, and after sales service people, that deal with the customer. Customer satisfaction and repeat business can be significantly adversely impacted by people that do not delight the customer and properly and consistently represent the values and brand proposition of the seller.
Process	The processes experienced by the purchaser in ordering the good and having the good delivered. Poor processes may discourage potential purchasers from queuing to obtain the good, or avoid the business entirely because of a reputation for poor processes.
Physical evidence	All of the physical (and digital) objects that a potential purchaser encounters in dealing with the business, including store layout, lighting, packaging, advertising materials, invoices, store signage, packaging and the website or mobile apps.



It follows that the element within the seven P's that sways consumer choice is the promotion strategy, which may include social media. The syllabus refers to consumer choice being influenced by **advertising/marketing** and **social media**. The reference to advertising/marketing is a reference to the elements of the promotion strategy used by the business within their marketing strategy, and social media refers to the influence on consumers of social media that they consume including the posts by influencers who may be paid by advertisers.

Promotion and advertising

Business use a wide range of different methods to promote and advertise their goods and services to consumers. In fact they often have two distinct goals that they are trying to achieve with their marketing and advertising to consumers. The first thing is to **generate awareness** and **increase awareness of the brand** and its goods and services. For example, when Kia entered the Australian car market, or Costco entered the retail market it was necessary to promote and advertise their brand to Australian consumers so that they would recognise the brand, and understand the goods and service range that they sold. The second thing is to **encourage consumers to purchase** the goods and services offered by the business. Sometimes that occurs by first generating a want in the consumer - so they are convinced that they now need to buy such a product. Once the consumer has been convinced of the need, the task becomes to encourage the consumer to purchase the good or service offered by the business rather than those of competitors - to shop at Coles rather than to shop at Woolworths. These initiatives are seen in the full range of promotion activities, from television and online advertising to billboards, product specials and discounts, all the way through to in store promotions - 21% of customers indicate that these kinds of promotions influence where they do their shopping and Coles' same store sales increased 5.1% in the September quarter of 19 when the Little Shop plastic collectibles promotion was first released.

Social media

Forms of electronic communication (including websites for social networking and microblogging) through which users create online communities to share information, ideas, personal messages, and other content (in particular images and videos)

Influencer Marketing Code Of Practice

Under the industry code of practice, social media influencers are required to disclose sponsored influencer posts. Influencers are required to disclose commercial relationships in a clear, upfront manner that can be easily understood. Under the Australian Consumer Law influencers should not engage in conduct that is misleading or deceptive, which would include leaving out key information including that the post is sponsored or that the goods have not been purchased by the influencer.

Social media

Businesses use social media for a range of purposes as part of their promotion strategy in their marketing strategy, specifically to:

- increase visibility for the brand of the business and its products
- build relationships with customers, influencers and other businesses
- communicate with people in real-time, including answering queries from existing and potential customers
- share links to or publish content that demonstrates the expertise and products of the business and adds value to customers' lives
- generate new sales leads for the business and boost sales through connecting the customer to online purchase options via social media links

A 2015 report from leading accounting firm Deloitte indicated that consumers who are influenced by social media are 4 times more likely to spend more on purchases. Moreover, the influence can be so high that 29% of consumers are more likely to make a purchase on the same day of using social media. They also found that social media has particular influence on the purchasing decisions of millennials (those born between 1977-1995). The Deloitte report found that 47% of millennials are influenced in their purchases by social media, compared to 19% for all other age groups. Among consumers who use digital devices to shop almost one-third of consumers spend more due to their use of digital during the shopping process. By using their mobile device and social media these consumers often locate better prices, or promotions offered by sellers, resulting in often purchasing a better quality item at a marginally higher price, or the same item at a lower price.

2.2.2 HOW INDIVIDUALS MAKE PARTICULAR DECISIONS

So an individual consumer obtains income and access to cash from a wide variety of sources. The individual will then need to decide how much of their income (and their savings and their borrowing capacity) will be used:

- for purchasing good and services,
- to save for future purchases or provide for retirement, or
- to save as a buffer for unexpected expenses or the financial impacts of unexpected events

Expenditure

Expenditure refers to amounts spent by the individual on goods and services. That could be spending on food, spending on transport, or spending on a new desk to study on. All of these transactions require to be paid for by the individual.

Fixed and variable expenditure

When thinking about their expenditures, an individual separately considers fixed and variable expenses. Separating these enables the individual to plan better, which we shall see later when we look at budgeting and planning.

But first, let's consider the difference between fixed and variable expenditure.

Fixed expenditure

Fixed expenditures for consumers are those expenses where the amount does not change from month to month. The cost does not vary depending upon how much of the good or service that is consumed.

For example, rent for an apartment is a fixed expense because the same amount is paid each week by the renter to the landlord (the owner of the property). Gym memberships, loan repayments, or subscriptions to streaming services like Netflix would also be considered fixed expenses, as the amount paid for these things does not change each month.

For a consumer, collecting and identifying these fixed expenses enables a decision to be taken about whether the good or service should be continued in the future.

Variable expenditure

Variable expenditures for consumers are those expenses where the amount does change from month to month. The cost varies depending upon how much of the good or service that is consumed that period.

For example, rent is a variable expense. The amount that is paid each month for food at the supermarket depends upon how food is purchased. The amount that is paid for petrol, and also for electricity and clothing, are all variable expenses because it depends upon how much petrol is purchased, how much electricity is used, and the number and type of clothing items that are purchased.

For a consumer, collecting and identifying these variable expenses enables a decision to be taken about what the quantity of the good or service that should continue to be purchased in the future.

Syllabus

Students examine how individuals make particular decisions, including whether to spend or save, and being prepared for unexpected expenses.



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L16

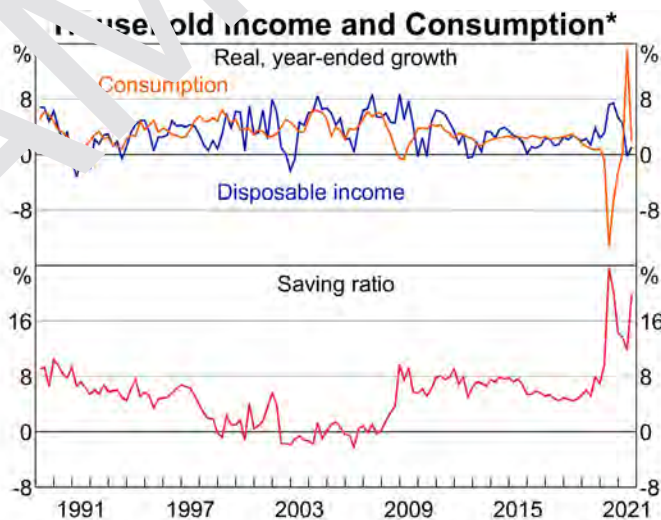


Spending patterns

The Australian Bureau of Statistics collects statistics on what typical Australian households spend on different types of goods and services. Those patterns do change over time - before the iPhone and the internet Australian households spent a significantly lower proportion of their income on telecommunications costs. The table below outlines the changes that occurred between 2020 and 1986.

Category of household spending	1986 (%)	2020 (%)
Housing	14.1	20.1
Food and non alcoholic beverages (drinks)	10.0	7.4
Recreation and culture	9.5	5.7
Transport	17.0	10.2
Furnishings, household equipment and services	11.1	8.8
Alcohol & tobacco	8.2	8.9
Insurance & financial services	2.7	5.1
Health	5.6	6.3
Education	1.3	4.7
Clothing and footwear	6.9	3.3
Communication	1.5	2.5

In addition to changes to the percentages of total expenditure on different categories, consumers also change the proportion of their incomes that they spend on purchases especially in response to economic conditions. The key statistic that measures this, calculated and published by the Australian Bureau of Statistics every three months (each quarter) is the **household saving rate**. The household saving rate is the percentage of household income which is saved - for example 10%. This would mean that the average household would be spending 90% of their income on purchases of goods and services.



* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation

Sources: ABS; RBA

During the COVID pandemic the household saving rate increased to around 20% - so purchases of household goods were less than 80% of incomes as a result of household concerns in relation to job security and the economy. On the other hand, during the boom of the 2000s, average household spending on purchases was more than incomes - households were borrowing in order to make purchases in total greater than their annual incomes.



Link
L17

Every consumer then has to make a decision about what to do with their income. How much of their income should be spent? How much should be saved? Does the consumer need to borrow money to add to their income in order to pay for the goods and services that they would like to purchase today.

These are the decisions which every consumer must make.

Whether to spend or save

Income which is not consumed (not used to pay for expenditures in buying goods or services which include fixed and variable expenses) is saved by the consumer. There are a range of reasons that a person may **save** some of their income, including:

1. Saving for an emergency - being prepared for unexpected expenses

If an emergency occurs, for example the car breaks down, or unexpected medical costs occur, or you lose your job then it will be necessary to have some money available to deal with that situation. If you do not have money saved for an emergency, it will have much more significant impacts on your life than it would have if you had saved money to be able to address the emergency



2. Saving for a house deposit

In order to purchase a house, most consumers will need to take out a loan from a bank. The bank will only provide the loan to the consumer if the consumer has already saved a significant proportion of the purchase price for the house, for example 10% of the house price. This process is called saving for a house deposit. Given the prices of real estate in some cities in Australia, saving 10% of the price of a house is not easy, and takes a very significant and long term saving process.



3. Saving for a holiday, car or large durable goods purchase

Holidays, cars and durable goods can be very expensive. A consumer cannot afford this by just using their income for the week - it will either require prior savings to be spent for the purchase, or borrowing money from the bank. The consumer is much better off financially if they first save the amount for the purchase, rather than borrowing the money from the bank as in this case they will have to pay interest to the bank on the amount borrowed.





4. Saving for retirement or extra income

When a person retires, they no longer have the regular income coming in from their job. In order to maintain their lifestyle, they will be relying on the other different forms of income that come from investment decisions that they have made, including interest, dividends and rent. In addition, by law when an employer pays salary and wages to employees in Australia they are required by law to deduct 10% of the salary and put that into a superannuation account for the employee. The funds in that account can only be accessed by the employee when they retire.

5. Saving for a wedding

Weddings can be very expensive, and often people will save to fund the wedding dress, wedding reception (party) and the honeymoon.

6. Saving for children's education

Another reason people save is to fund education, especially children's education. In the United States it is also very culturally common for parents to save to pay for the university education of their children (called College in the United States).

Factors which influence the decision to spend or save

In making these decisions there are a range of factors which will influence the consumer, and which will influence the amount the consumer spends, and the amount the consumer saves. Those factors are indicated in the table below.

Factor	How factor influences the decision to save and the need for saving
Income	<p>When income is lower, a person will tend to spend most of their income, and none or little will be available for saving.</p> <p>As income increases, whilst total spending does increase (often purchasing higher quality goods and services) the person is now able to save.</p> <p>As income increases even higher, the proportion of the person's income that is saved increases.</p>
Age	<p>When younger (a child) a person will typically spend more than their income.</p> <p>In middle age, a person's income will increase, and they will try to save some of their income to be able to invest to fund their retirement.</p> <p>In retirement, a person's income will often be less their spending, and they will rely on their savings to meet the gap.</p>
Location	<p>Where people earn the same income, but live in different locations, their ability to save might be quite different. This can arise because the costs of living in different locations can be quite different, the greatest differences can occur in the cost of housing (house prices and rents), the cost of food, and the cost of services (painters, plumbers, mechanics etc). A person that wants to live in a more expensive area will need to save more of their income in order to afford housing if they want to purchase a home.</p>
Wealth	<p>The need for saving is also influenced by wealth. A person who is wealthy already has savings, and therefore can afford to spend a greater proportion of their income than someone who is not wealthy, and who therefore needs to save some of their income.</p>



Link
LI9

What to buy

A consumer decision to purchase a good or service can either be:

- a planned decision to purchase a product following research, comparison, and analysis (called **comparison shopping**); or
- an unplanned, spur of the moment decision to purchase where the decision to buy occurs just before the purchase is made (called **impulse buying**).

Impulse buying can occur for a variety of reasons, and is actually encouraged by shops by the placement of bargains, confectionery and drink options close to registers. Consider the queuing processes at supermarkets like Woolworths or Coles (where there is often a presentation of confectionery or drink impulse buys), or at JB Hi-Fi where the queue snakes through presentations of discount movies and low value technology purchases or the payment processes at petrol stations where there is large selection of impulse buy items to tempt consumers. Part of the focus of this chapter is to help you avoid impulse buys, and to make better consumer decisions.

Once an individual consumer has decided to purchase a good or a service (not an impulse purchase), for example a new pair of sports shoes, the process starts in order to work out what pair of shoes to purchase, and where to purchase the shoes from.

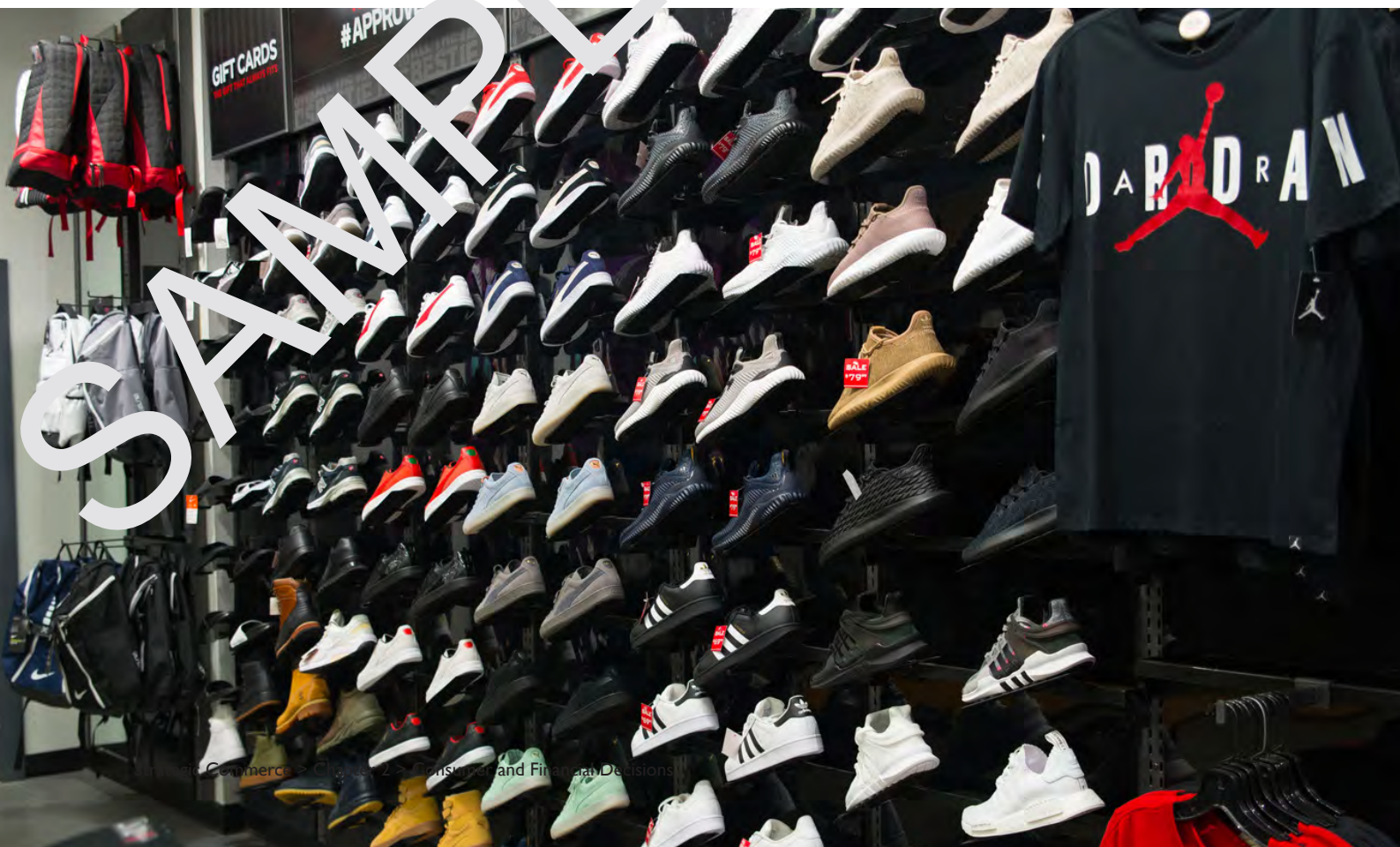
In order to determine which shoes to buy, and where to buy them from, a consumer undertakes a process of comparison that is called **comparison shopping**. Comparison shopping involves researching the features and prices of the possible shoes to purchase, and then using a criteria to rank the possible shoes which could be purchased in order to identify the best choice. There are, however, some basic concepts in relation to how goods are produced and made available for sale to consumers, and the different types of locations and stores where goods can be purchased, that students need to know first before diving in to the process of comparison shopping.

Syllabus

Students explore how individuals make particular decisions, including what to buy, eg different types of goods and services



Link
L20



How goods are produced and sold to consumers

Some goods are created by a business who then sells the goods directly to the consumer. Consider a small business that makes wooden cutting boards, and sells the boards to consumers in a stall at a local market. In this case, the business is both the producer of the boards (making them using wood, sandpaper and oils) and also the retailer of the goods to consumers. A **retailer** refers to a business who sells the goods to the consumer. In our simple example, the cutting board business is the producer, and the retailer.

If our cutting board business grows, kitchen stores may want to stock the cutting boards in their shops for them to sell as part of their product range to consumers. If this occurs, the producer would sell the boards to the kitchen shop, and the kitchen shop would increase the price by a percentage in order to make a profit (for example increasing the price by 20%) and would then sell the boards to consumers at the higher price. The kitchen store becomes the retailer, selling the boards to the consumer.

Buying the boards directly from the producer at the market rather than at the kitchen store may result in a cheaper price for the consumer (without the increase to the price required by the retailer), however may be less convenient.

If the board business becomes even more successful many kitchen stores approach the business to purchase boards and the board business may appoint another business (called a **wholesaler**) who will deal with all of the enquiries and orders for boards from the retailers. It is the wholesaler's job to buy the boards, and then to provide them to the retailers (that is, sell them to the retailers) for the retailers to sell to customers. Of course, the wholesaler is a business and will need to make a profit, so the board business sells to the wholesaler, who adds a percentage on top for their profit and sells the board to the retailer, who adds a percentage on top and then sells to the consumer.

Finally, there are different kinds of retailers that stock the chopping boards, offering different shopping experiences to their customers. Some gourmet kitchen shops with a large number of staff offering advice and paying high rents in prominent store locations, may have to add a higher margin on top of the wholesaler's price. In these stores, the chopping boards are quite expensive, and never discounted. Other retailers of the boards are online only stores, with few staff and lower costs than the gourmet kitchen shop in the prominent location, so they will add a lower margin on top of the wholesale price and still make an acceptable profit. If the online store sells a significant volume of the boards, it may only add a small margin on top of the wholesalers price and rely on the high volume of boards in order to achieve its required profit.

In this way, the same board may be priced at different prices when being sold by different retailers reflecting the different costs and levels of service that the business provides to their customers.

Retailer

The business which sells goods to a consumer.

Wholesaler

A business that buys a large quantity of goods from various producers, warehouses them, and resells to retailers.



Link
21



Different brands and products

Businesses sell their products using different brands.

A **brand** is a unique design, sign, symbol or words that creates an image that identifies a product and differentiates it from its competitors. Over time, this image becomes associated with certain attributes: specifically a level of credibility, quality, and satisfaction in the consumer's mind. Brands help consumers select products.

In most product categories (for example sports shoes or cars) there are a wide range of alternative products for consumers to decide between. These different product choices are produced by different businesses, who use their brands as a way to indicate their products to potential consumers.

Different brands have different attributes, which often have implications for quality, innovation and cost. High quality brands will often have a higher emphasis on product development and design, higher quality materials and manufacturing processes and greater spending on advertising to promote their brand and products.

For example, consider the spectrum of car brands below. Each sell passenger cars, however their products have very different features and costs. As the brands become higher quality, a consumer would typically expect more innovative design and a higher level of features and quality materials - and a higher price.

Brand
A unique design, symbol or word that creates an image that identifies a product and differentiates it from its competitors in the minds of customers.



Link
L22

Different brands
For most types of products and services purchased by consumers there are a range of different brands that provide the product from which to choose from.



The same brand (for example Coca-Cola) may also offer a range of different products to meet the consumer's need. Consider the beverages offered by different brands (businesses) in the beverage market in Australia, including the local operations of global businesses (Coca-Cola and Pepsi) and also the offerings of particular stores (called generic or house brands) from each of IGA, Woolworths, Coles and ALDI. In addition to selling the branded drinks (Coca-Cola or Pepsi products), the supermarkets will also offer lower price non-Coke or Pepsi branded products which they make and which can only be purchased in their stores. These generic brands include Black & Gold (IGA), Select and Homebrand (Woolworths), Coles (Coles) and Regal Cola (ALDI).

Review the display of 1.25 litre cola bottles below the table, what do you notice (differences) about the bottles, the label design, the cost, and the quality/flavour of the drinks?

Coca-Cola		Pepsi	
Coca-Cola		Pepsi	
Coke Zero		Pepsi Max	
Sprite		Mountain Dew	
Sprite Zero		Gatorade	
Fanta			
Lift			
Powerade			
Mount Franklin Water			
Mother			

IGA	Woolworths	Coles	ALDI
Black & Gold Cola	Woolworths Select Cola	Coles Soft Drink	Regal Cola
	Woolworths Home Brand Cola	Coles Smart Buy Cola	



Link L23

1.25 litre Cola from different branded and house brand producers



Each bottle has water, gases (to carbonate the beverage), flavours, a bottle, a cap, and a label designed and printed. Some of the brands spend more money on advertising (which increases their costs), and require a higher profit on their products than others. Cheaper products have less quality materials, spend less on advertising, charge a lower profit per bottle and are hoping to make their money by selling large volumes of the cola bottles at a small per bottle profit which will lead to a large total profit.

Choosing where to buy

Some goods can only be purchased in a particular store. For example, you can only purchase a Big Mac in a McDonald's restaurant, and you can only purchase Regal Cola in ALDI.

However, for other goods, there is a **wide range of different locations** where a consumer can shop to purchase the product. Some of the locations are more convenient, and some are less convenient.

Some locations have staff that can offer assistance with questions or provide product demonstrations, other locations have the products for purchase but do not have knowledgeable staff or provide demonstrations. Some locations are physical stores where a consumer can visit, see and touch the product, and compare it in store to other products (for example comparing headphones at JB Hi-Fi by trying different headphones connected to music sources). Other stores are only online, where it is not possible to touch, or feel the product.

Each of the locations will also offer to sell the same product for different prices.

Let's start by investigating the different types of locations where consumers can buy products.

Syllabus

Students explore how individuals make particular decisions, including where to buy, eg locally, regionally, interstate or globally; physical or online sources.



Link
L24



Type of store	Products	Pricing	Examples
Department store	Wide range of products Clothing, toys, electronics, gifts, kitchen items Mostly retailing branded items, but some high quality house branded products Large stores often over multiple levels.	Medium to high Distinct departments for different branded clothing and cosmetics	David Jones Myer
Discount store	Wide range of products Clothing, toys, electronics, gifts, kitchen items. Retailing some branded items, but mostly house branded lower priced alternatives.	Low to medium Distinct areas in store for different types of goods	Big W Kmart Target
Specialty retail	Wide range of mostly branded products within one product category. Provide opportunity for convenient consumer comparison in purchase of durable goods.	Varied, reflecting the brand positioning and the store positioning	JB Hi-Fi Clothing stores Rebel
Discount fashion	Range of clothing items often discounted brand items or house brands.	Low to medium pricing	Best & Less Lowes Supre
Supermarket	Wide range of fresh and packaged food and ingredients and domestic cleaning goods. Small range of clothing, home repair, stationary. Large stores.	Consumer based pricing for high volume goods with weekly sales to customers	Coles Woolworths
Convenience market	Smaller range of food/household goods. Smaller stores. May be more expensive Some branded products	Higher pricing than supermarkets	IGA
Discount supermarket	Smaller range of food and limited quantity specialty durable items. Smaller stores Some branded goods but mainly house brand goods	Significantly cheaper than supermarkets	ALDI
Online store/market	Very wide range of new and used products. No physical store with no product trials, demonstrations or in store returns.	Often cheaper than physical stores as lower costs for seller with no physical store and lower staff numbers	Amazon Ebay Kogan
Exclusive store	Only sells branded products of the business. Can be small range, or very wide range	Can be low price, or very high price (Tiffany's)	IKEA McDonalds KFC Subway Tiffany Smiggle

As indicated in the previous table there are distinct types of stores in Australia's retail marketplace from which consumers can purchase products. Often the same product can be purchased for a different price, and with a different amount of salesperson assistance, in different types of stores.

Generally speaking, the categories of retail stores are different in relation to the following attributes

- the **range** of different types of goods (i.e. furniture, and clothing, and electronics)
- the **depth** of the range within a given type of product (ie JB Hi-Fi has many different types of headphones)
- the **physical scale** of the store, and its location
- the **private label product strategy**: the extent to which the store carries branded goods (ie Coca-Cola, or Beats, or house brands that are cheaper offerings only sold in that store like IGA Black and Gold Cola)
- the **price** of the goods

Importantly, the retail landscape is changing all the time as a result of:

- **competition**, new entrants (like ALDI opening in Australia in 2011, Costco in 2008) and online competitors (Amazon, eBay, Gumtree, Booktopia,
- changing **technology** (department stores no longer sell CDs and DVDs with the consumer move to streaming services like Netflix, Spotify and Apple Music)
- **large, specialist retailers** in specific segments reducing consumer appeal of department store shopping experiences with a more limited range (Rebel Sports, JB Hi-Fi, Officeworks, IKEA, Good Guys, Freedom, Anaconda, BCF)
- the emergence of **destination centres for bulky goods purchases** by consumers (furniture, bedding, washing machines, dryers, electrical goods) for example the various Super Centres in Sydney (more Park, Belrose, Tuggerah)



Link
L26



LOCAL, INTERSTATE, GLOBALLY

In addition to considering the wide range of different types of stores which are available to consumers, you can also consider those places by **geography** - that is, where the store is actually located.

Here the groupings are locally, interstate and globally.

These groupings are simply a different way to classify the same types of stores that we considered earlier. For example, there may (or may not be) a local specialty store in a local area, or one in a larger regional area like Dubbo, or in a capital city like Sydney. In addition to stores within New South Wales, there may also be specialty stores, with different product offerings, interstate in Victoria, Tasmania or Queensland. Finally, there will be a vast array of specialty stores overseas - in the United States, or in South East Asian countries or in New Zealand.

As a consumer, you can:

- physically travel to these locations (on purpose in order to visit the store, or when visiting on holidays) or
- use the internet or telephone to contact and order products.

With the internet and email a consumer in Australia (that is, you) is able to access a very, very wide range of goods and services from virtually anywhere on the planet. Of course, issues arise in making purchases from distant places, which we will consider in the next section in considering internet purchasing and mail order.

INTERNET PURCHASING AND MAIL ORDER

Internet purchasing is no longer new or unusual, and is now actually very common place and includes:

- buying an app on the App store or google marketplace
- buying an online game, or in app purchases
- buying a good on amazon.com or Kogan.com or books on Booktopia etc
- online ordering of your school textbooks on campion or endeavor
- online ordering of pizza from dominoes or pizza hut, or from hundreds of restaurants on menu log
- ordering an Uber or a taxi online
- buying a ticket to a concert on ticketek or Ticketmaster
- buying and selling goods on online auction and selling websites including eBay or gumtree
- booking medical appointments online, completing hospital patient registration information online before visiting the hospital



Link
L27



In other words, you may already be very familiar with purchasing goods and services using the internet.

The **benefits** of internet purchasing include:

- convenience in researching and comparing products, and the site is open 24/7 to make a purchase
- access to a very, very wide range of products - wider than would normally be available within a convenient transport time for consumers to visit a physical store
- lower cost for the seller (no retail store and staff) which may offer a lower price to the consumer
- able to be used both on computers, but almost universally on smartphones and mobile devices carried by consumers.



On the other hand, there are some **disadvantages** or issues with internet purchasing including:

- inability to hold and test the product prior to the purchase
- fraud where the seller does not send the good, or sends a different good to the good advertised
- mail or delivery problems



Link
L28

Mail order is also a way to purchase goods. This refers to a process where a consumer signs up to receive a printed catalogue providing information about a wide range of products - hundreds of products to choose from. Included in the catalogue, generally at the back, is an order form where the consumer can list the product names, numbers and prices of the goods they wish to purchase. The consumer completes this form, adding payment details (if using a credit card) or attaching a cheque if they were paying by cheque, and then they post the order form with payment to the supplier of the catalogue. Some time later the goods will be sent by mail by the supplier to the consumer.



The ease of use of the internet has significantly reduced the number of printed catalogues being sent to consumers, and the mail order businesses have added internet purchasing options for consumers of their products. The catalogue information is now search results on the business' website, although a digital version of the traditional catalogue is also often presented online for consumers who prefer to browse the material and read the advertisements. Some mail order businesses no longer offer a physical catalogue option to consumers (as the printing costs are quite high) although some still do, including the Innovations Catalogue which can be ordered at innovations.com.au or EZIBUY. In early periods of time, mail order catalogues were an important way consumers in country or remote areas were able to access a range of products.



Comparison shopping

With the wide range of types of goods and services available, with a wide range of possible places to purchase (online, department store etc) a consumer (you) will make a better decision by following the process known as **comparison shopping**.

You probably already do this to some extent, but may never have called it comparison shopping before. Comparison shopping is where the consumer compares prices and features in advance of actually shopping in order to achieve the best deals and pricing on merchandise and services. This is the opposite of **impulse buying**, where a consumer buys a product on the spur of the moment without considering alternatives, and often where the consumer does not visit the store to purchase the product in the first place!

Comparison shopping is often done in anticipation of buying occasional, big ticket items (higher priced items which are usually durable goods). In considering different products, and different sellers of those products, you should consider the following as part of the comparison shopping checklist:

1. What are the **features** of the product, and do they meet the reason why you are making the purchase?
2. What do independent **reviewers** say about the product in newspaper articles, or online specialist websites?
3. What do **other purchasers** of the product say about the product, and the business you are considering purchasing from. There is a wide variety of this information freely available on many sellers websites as customer reviews, and also websites including Tripadvisor, Amazon and specialist website user forums including Whirlpool (general) and dpreview for cameras.
4. What is the **price** of the product from different sellers? When purchasing food items, by law the shelf labels must show the price either by weight of the product (i.e. \$2.32 per kilogram), or by volume (i.e. \$0.32 per litre). This provides an easy way to comparison shop grocery items to compare the value of two alternatives where the product sizes and weights are different.

LAUNDRY DETERGENT 2.5 L	\$7.62	LAUNDRY DETERGENT 1.5 L	\$5.74
	\$3.05 per 1 L		\$3.83 per 1 L
	Unit price		Unit price
5. What happens if there is a **problem** with the product, or if you change your mind? Where would you have to return the product and how?
6. Is there a **delivery cost**, or other amounts payable in connection with the purchase. For example the purchase of a mattress often has a delivery charge, which can both be expensive, and vary widely between sellers. When considering a hire car, the cost of insurance to cover you if the hired vehicle is damaged can vary very widely between hire car companies.
7. What is the period of the **warranty** offered with the product, or other services that are provided for free? This is the period when the maker of the product will fix any defects which appear during normal, intended use of the product.

KIA
KIA MOTORS



Link
L29



COMPARISON SHOPPING WEBSITES

The internet is a perfect tool to assist consumers in performing comparison shopping by providing convenient and detailed comparisons of products and pricing from different sellers in Australia.

Comparison websites have emerged for a range of different goods and services. However, these comparison websites are themselves businesses, which make money by charging the service provider a fee for each sale, and only compare among the products who are prepared to share the money received by the consumer for the sale. In this way, a comparison website does provide a comparison, but only among those service providers who want to enter into a commercial arrangement with the comparison website that will result in the comparison website making money.

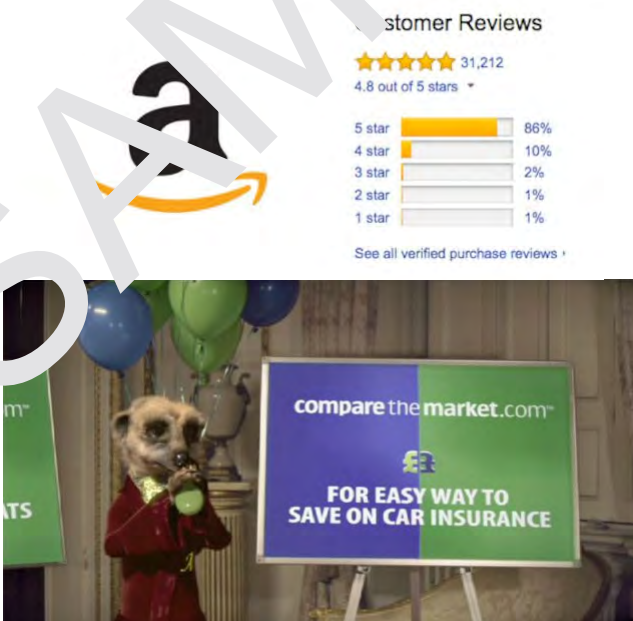
For example, in the insurance market, there are a range of comparison websites, including iSelect, Compare the Market, Choosi, Canstar, Finder and Compare Insurance. These websites enable you to enter details of the insurance product you wish to purchase (i.e. health insurance, life insurance, home insurance, car or travel insurance) and the comparison website provides details of insurance products **from the companies that have decided to participate in the comparison site**. The Australian Competition and Consumer Commission (a Commonwealth government body which acts to protect consumers) has been concerned over misrepresentations on these sites about the scope of the market that is being compared, with some sites being fined more than \$2 million for misleading advertising (EnergyWatch). (*The comparator website industry in Australia*, An ACCC report, November 2014).

Having said that, comparison websites are very helpful in a range of contexts:

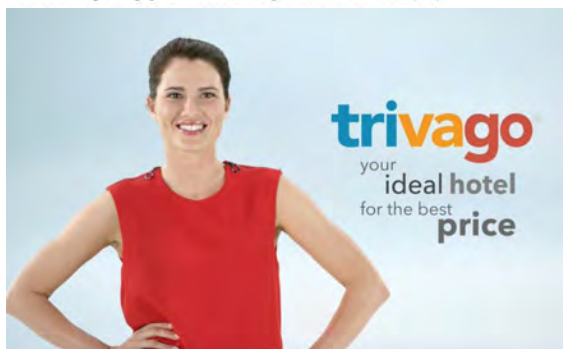
- selecting a hotel or flights (TripAdvisor, Trivago, Hotels.com, Expedia)
- selecting electronic goods (product buying guides, Officeworks, or ebay, and online retailers frequently enable selection of multiple products and asking the site to compare the features of both products)
- selecting a loan (ratecity.com.au, Canstar, Compare the Market)



Link
L30



Traveller tips help you choose the right room. [Room tips \(419\)](#)



Learning activities

Syllabus

Students reflect on their own purchasing decisions, including affordability, the decision-making processes they have used in the past, and how they might change these in the future

1. Identify five goods and five services which your family has purchased this month.
2. In small groups, discuss whether you think your family would spend similar proportions of income on the goods and services as typical Australian households from the ABS data.
3. Distinguish between a good and a service.
4. Outline three durable goods in your home. For each good consider how many years the total the good would last from purchase, and how many years remain before it will need to be replaced.
5. Explain why impulse shopping may be a concern for consumers.
6. Explain why a consumer may purchase a good or service on impulse.
7. Describe the process of comparison shopping and identify five websites that could be useful when comparison shopping.
8. In small groups select three products and discuss how the product moved from the producer before purchase by the consumer and consider how much the product may have been sold for originally by the manufacturer of the good.
9. For a market other than cars, identify 5 different brands and rank them from most desirable to least desirable to consumers. What attributes are you considering when ranking the brands?
10. Research the cost of similar breakfast cereals at a number of grocery stores. Note down the store, product name and price and ensure you include house brands in your analysis.
11. In small groups identify a store in each category of store types that has been visited by all members of the group. Ask each person what made them decide to visit that store type.
12. In small groups, list all of the types of goods and services that the families of group members have purchased online.
13. Visit the Innovations catalogue online. What types of consumers would use catalogue and mail order services?

2.2.3 PAYMENT OPTIONS

There are a wide range of methods that consumers can use to make payments for the purchase of goods and services - including both cash, and cashless options. Essentially, to increase convenience for customers in making payments a number of additional methods have been created over time to add to the method of providing physical cash to the supplier.



Method	Description	Advantages/disadvantages
Cash	The consumer provides cash to the supplier.	Advantage: no interest to pay and can only purchase when can afford to buy Disadvantage: no convenience and can only purchase if have saved purchase price, theft
Credit	The consumer uses a credit card to pay the supplier. When using the card, the consumer's bank pays the supplier and then at the end of the month the consumer's bank sends the consumer a statement of the amount that the consumer has spent using the credit card (which has been borrowed by the consumer from the bank).	Advantage: can obtain good before saving entire purchase price Disadvantage: may purchase beyond what can afford, must make interest payments on amount borrowed. Risk of unauthorised risk or fraud - especially with tap and go with stolen or lost cards.
Cheque	The consumer completes a cheque (a piece of paper provided by the bank) with the details of the supplier name and the amount to pay and provides the physical cheque (piece of paper) to the supplier. The supplier deposits the cheque in their bank.	Advantage: secure payment system, and limited to what can afford to buy as funds must be in bank account Disadvantage: may not be accepted by supplier, and can only use if the purchase price has been saved
Direct debit	The consumer sets up a regular arrangement with a supplier where a specified amount will be deducted from the consumer's bank account and paid to the supplier each period. This is often used for regular consumer payments, including gym memberships, Netflix health insurance premium payments, rent payments etc. Payments continue to be deducted until the authorisation is cancelled by the consumer.	Advantage: convenience for purchaser, set up once for regular payments Disadvantage: sometimes difficult to cancel, and charge made even if do not use service (ie gym membership).
Lay-by	The consumer selects a good from a retail store and agrees to purchase it. The store holds the good while the consumer makes payments (at least two instalments). When the full price is paid, the good is provided to the consumer. This means the price is agreed, and the good is held for the consumer whilst payment instalments are made.	Advantage: locks in price to be paid, and can only obtain goods when purchase price saved. Disadvantage: unlike credit cards, cannot obtain goods immediately
Electronic funds transfer	Often using the internet via a computer or mobile device, the consumer directly transfers money from their bank account to the bank account of the seller. This can occur using EFTPOS as a debit card, or using services such as Bpay or PayPal, or using the internet banking applications provided by your bank.	Advantage: fast, convenient and must have purchase price saved to avoid debt Disadvantage: risk of unauthorised use or send funds to wrong person/seller. In online transactions may pay for goods and not receive goods, or receive defective goods
Buy now pay later	Pay by instalments over time, but acquire the good immediately. Payment is delayed and is paid off over a few weeks. Interest is not charged on purchase, but you are charged fees for late payments, account keeping fees, processing fees and establishment fees.	Advantage: unlike layby, obtain the goods immediately even when purchase price not saved. Disadvantage: can overspend and fees can add up

Credit cards

Credit cards, using the banks' money to pay for the consumer purchase, is a very, very common way that consumers purchase goods and services. It is very convenient to use a credit card, and purchases less than \$200 can now usually be completed by tapping the card on a reader - called PayPass, or Tap and Go.

A credit card, issued to the customer by the bank, carries some key information on the card, and on the computer chip in the card, including:



Link
L33

1. Chip which contains details of the card and prevents fraud
2. Card number
3. Tactile elements that assist consumer location and orient the card
4. Valid dates for the card
5. Name of account holder
6. VISA brand mark
7. Visa payWave symbol which means this card can be used by tapping
8. High visibility edges that help identify the correct way to insert the card into ATMs and EFTPOS terminals when purchasing goods
9. Telephone number for general enquiries
10. Magnetic encoded stripe which can be read in ATMs and EFTPOS machines
11. Signature block for customer signature
12. Anti-dimensional dove hologram which is an added anti fraud feature
13. This card can be used in any ATM anywhere in the world that displays the Plus logo
14. CVV - card verification value which helps to verify your card in online, and over the phone purchases. This can also be referred to as the CVC (card verification code)
15. Phone number to call if overseas
16. Large font which identifies whether this is a Debit card (which transfers money from your bank account to the supplier), or whether it is a Credit card (which is where you are borrowing money from the bank who is paying the supplier on your behalf).

OPEN

VISA

Cheques

Cheques used to be the most common form of payment, before credit cards and electronic funds transfer. Cheques are rarely used today for consumer transactions, however the elements of a typical cheque are outlined below.



1. Name of the bank that the consumer banks with
2. Name of the supplier to pay
3. Amount to be paid to the supplier written in words
4. Name of the consumer who is writing the cheque and paying the supplier
5. Cheque number
6. BSB number - Bank-State-Branch - this is a six digit number that identifies banks and branches across Australia. This will be the bank that the consumer banks with.
7. Account number at the bank of the consumer.
8. Date of the cheque
9. Amount to be paid to the supplier in numbers
10. Signature of the consumer
11. The words not negotiable here means that only the person who is named to be paid may receive the money. This provides a protection to the consumer as no one else can bank this cheque other than the named supplier on the cheque.



Link
L34

When accepting a cheque as payment for a consumer purchase, the supplier only knows if they will get paid when they deposit the cheque in their bank account, and will then need to wait a couple of days for the bank to determine if the consumer's bank account has sufficient funds to transfer the indicated amount of money into the supplier's bank account. For this reason, unless the supplier knows the customer, and trusts that they will have sufficient funds in their bank account to cover the cheque, suppliers will most often not accept cheques as payment. When the supplier banks the cheque, and the consumer does not have sufficient funds in their account to cover the cheque, the cheque is said to have bounced, and to have been dishonoured by the consumer's bank. In this circumstance the consumer's bank will charge the consumer a fee for having the cheque dishonoured.

Selecting and applying appropriate criteria to rank alternative purchasing options

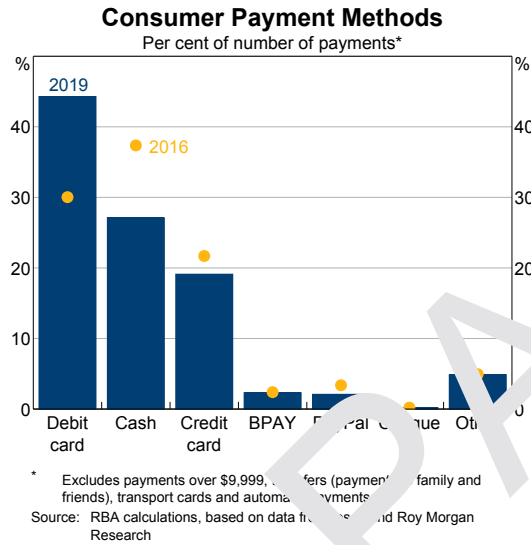
The best payment option for a consumer will depend on a range of factors, including the costs associated with the purchase option (for example if the store adds a surcharge for credit cards) and also the existing debt level of the consumer (it may be unwise to use credit or a loan as the consumer may not be able to meet the interest payments). Other criteria include convenience (high with credit cards), fees, security and safety (low with large amounts of cash), privacy (there is a record of credit card transactions but not cash transactions) and interest rates (very high on credit cards but lower on housing loans secured by mortgages).



Link
L35

Changes over time and the impact of technology

Changes in technology and innovations in payments systems to increase ease of use and convenience for consumers and suppliers has resulted in significant changes in how consumers pay for purchases. The Reserve Bank of Australia maintains statistics for the types of payments that consumers use in Australia.



As indicated in the chart, the dominant ways that consumers pay for consumer purchases are debit and credit cards and cash. Personal cheques are now a very small share of total payments - even smaller than the share of PayPal and BPAY.

Innovations continue to occur in relation to payments, including:

- paying using your mobile phone using Apple Pay, Samsung Pay or similar services
- using your fingerprint to pay
- Amazon Go's selfie pay that uses facial recognition technology
- self scanning consumer items in store with your mobile phone and completing the payment (that is personal self scanning checkout using your phone)
- purchasing using voice recognition



Use of credit to make purchases

REASONS FOR BORROWING

Where a consumer decides to spend more than their income on a large purchase, for example a house, car or holiday, the consumer may consider borrowing money as a way of helping to fund the purchase. This is referred to as using credit. However, borrowing money from a bank not only has to be repaid at the end of the loan period, but interest must be paid to the bank during the term of the loan. This makes it much more expensive to purchase the good than if the consumer saved the money first.

Given the large cost of houses and cars in particular, it is quite common for consumers to borrow from banks to fund those purchases. Some people also borrow money not to spend on purchases, but to make investments - for example borrowing to purchase real estate to rent, or borrowing to purchase shares to earn dividend income.

There are a number of advantages and disadvantages of borrowing money, which are:

Advantages of borrowing money	Disadvantages of borrowing money
A person is able to purchase a house, which means they can change and renovate the house as they wish, not pay rent, and own any growth in the value of the real estate.	The person now has a large commitment to repay the loan with interest to the bank. If interest rates increase, or if they lose their income (job) they may face financial difficulties.
A person can purchase more shares, or investment properties, than they would be able to do if they only used their savings. If the value of the investments increase, this may result in larger capital growth (wealth increase) than would occur by only using their savings (even after paying the interest on the loan).	Borrowing money to finance investments can be risky if the value of the investment purchased (the real estate, or the shares) goes down in value, or does not go up in value by more than the interest rate which is being paid to the bank for the borrowed funds.
A person can enjoy the holiday, or the durable good, before they would be able to afford it.	Interest rates on personal loans for holidays can be quite expensive, so the holiday ends up costing much more than it would have been if the person had saved the money first.

The impact of borrowing money to fund a purchase can be very large on the total cost of the purchase for a consumer. For example, to fund a \$45,000 new car purchase with a 5 year personal loan from the bank with an interest rate of 13.9% per annum (per year) would require a weekly loan repayment of \$242 which would result in total payments over the five years of \$62,920.

In other words, the cost of the car using borrowed money is not the \$45,000 price of the car, but the \$62,920 which you need to make in total payments over the term of the loan.

Syllabus

Students investigate the advantages and disadvantages of different payment options, including the use of credit to make purchases, including the facilities offered by lenders and financial institutions.



Link
L36





Link
L37

FACILITIES OFFERED BY LENDERS

Different lenders (different banks) have a wide range of possible loans (called loan products) to match the various borrowing needs of consumers. Some of these are short term loans (to fund a holiday), and some of these are long term loans (a loan to be repaid over 25 years to fund the purchase of a house).

The different types of loans are summarised in the table below:

Type of loan	Description
Home loan	This is a long term loan (25 years) from the bank in order to purchase the bank, the borrower is also required to sign a separate document called a mortgage . By signing the mortgage document the borrower agrees that if they do not repay the loan as required by the loan agreement then the bank can sell the property and recover any unpaid loan amount from the sales proceeds with any amount remaining being paid to the borrower. The mortgage is said to be the security which the bank obtains in relation to the loan.
Personal loan	A short term loan from the bank to fund a personal purchase including a car, a holiday, stereo equipment or other major purchase. No security is provided to protect the bank against the borrower not paying. Because there is no security, the bank will require a higher interest rate from the borrower to protect the bank against this risk.
Credit card	When a person uses a credit card they are borrowing from the bank. This is because the bank pays the seller of the goods, and then at the end of the month asks the purchaser of the goods (who has therefore borrowed the money from the bank) to pay to the bank the amount purchased using the credit card. If the card holder does not pay the whole amount they have borrowed, then interest, at a very high interest rate, is then payable by the card holder and is calculated from the date that each of the purchases on the credit card were made.
Small business loan	Where a person is seeking to earn income by establishing their own business venture, a loan may be obtained from the bank. The bank may only be prepared to lend the money to establish the business if the borrower provides security (for example by signing a mortgage agreement providing security for repayment of the loan over real estate property owned by the borrower).



Interest rates

Interest rates required to be paid are lower for loans that are secured by a mortgage over property. Another option which can be offered to the bank in relation to a loan is where someone else guarantees the bank that you will repay the loan. This is referred to as someone else acting as a guarantor for the loan. If you do not repay the loan, the guarantor is responsible for repaying all of the loan to the lender.

Like any business, banks exist to make money - the more customers that borrow from the bank the more money the bank makes. This means that banks compete with each other to sell their loans to borrowers, and the main way that they compete is by offering to charge lower fees and interest rates to the borrower than other banks in the market.

In addition to banks (which are profit making businesses) there are other financial institutions that offer loans to people in Australia, and these are called Credit Unions. Whereas a bank is a profit making business, a credit union is like a club, owned by its members, and is not designed to make a profit. Some of the members of the credit union have savings which they deposit in the credit union. Those members that need to borrow can borrow those funds, often at a lower interest rate than the banks because the credit union does not have to make a profit.

Different interest rates

As mentioned, banks will charge a different interest rate depending on the security offered by the borrower on the loan, and the type of loan product offered (i.e. car loan or credit card). Some rates offered by the National Australia Bank for different consumer loans in June 2020 are in the table below.

Loan product	Description	Interest rate
Home loan Secured by a mortgage over the property	Over \$750,000 Term 25 years	2.33% variable
Personal loan (for a car etc, unsecured)	Minimum \$5,000 Term 1-7 years	19.85% variable
Credit card	Up to 55 days interest free Minimum credit limit \$6,000	9.99%



ABILITY TO REPAY

When applying for a loan the lender will require a significant amount of information about the borrower's income, their assets, and their financial commitments. This enables the lender to determine the ability of the borrower to pay the loan and to help decide whether the lender should make the loan to the borrower or not.

The process is called the **loan application process**.

An individual should only borrow if they have the ability to repay the loan. When applying for a loan, the bank will require the following:

Proof of income

The bank will typically want to see your two most recent payslips, as evidence that you have a regular source of income, and how much that income is. They will also ask to see your personal income tax return to confirm details of your income and the amount of taxes that you have most recently paid.

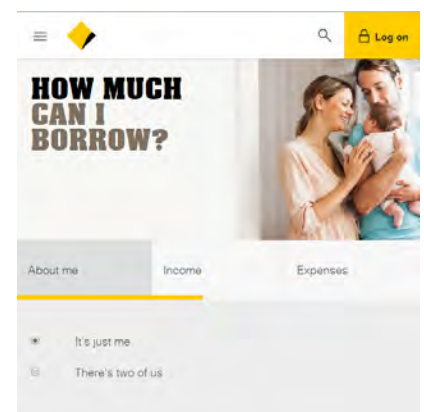
Bank statements

The bank will also want to see statements (records) for any savings accounts or loan accounts that you have with banks, and also details in relation to any credit cards that you have. They will want to know how much you have as savings, and how much you owe as debts at the moment to help them consider whether you will likely have the ability to repay the loan if they make it.

Personal information

In order for the bank to perform some further checks on you, and whether you have paid your debts in the past by reviewing a credit report about you, they will also require some personal identification information to be supplied which has your name, address and date of birth. You could provide a copy of your passport to meet this requirement.

Most banks also provide free calculators on their websites that enable you to determine the amount of loan that the bank would likely lend based on your current level of income and spending.



FACTORS AFFECTING AN INDIVIDUAL'S CREDIT RATING

When you apply for a loan the bank or lender will always check to see if you have a good (or bad) record for paying your bills. There are a range of businesses that sell credit reports to lenders. This means that they collect information about when a consumer applies for a loan, whether the loan is provided, and then most importantly, whether the consumer has paid the interest and repaid the loan as agreed.

The most common businesses that provide credit reports to banks (called credit reporting agencies) are:

- Equifax (equifax.com.au) formerly called Veda
- Dun and Bradstreet (dnb.com.au)
- Tasmanian Collection Services (tascol.com.au)
- Experian (experian.com.au)

A credit report on an individual might contain the following information:

- **Your personal details.** Your name, date of birth, current and past addresses, employment and driver's licence number.
- **Your credit history.** Listings of any credit or loans you have applied for, defaults (overdue payments of 60 days or more when collection activity has started) and any other credit infringements (infringements can be listed for up to five years after they occurred, or seven years for serious infringements).
- **Repayment history.** Dates your credit payments were due, whether or not you made the payments by the due date, dates on which you missed payments.
- **Other information.** Bankruptcies (for up to seven years after they occurred), court judgments, debt agreements and personal insolvency agreements (for up to five years after they occurred).

If your credit report indicates that you do not pay your bills on time, or have not paid your bills, then the lender will most likely decide not to make the loan which you are applying for. Because the content of your credit report is so important when you are applying for a loan, the Privacy Act (Commonwealth) provides that once a year you can request a copy of your credit report from credit reporting agencies for free.



Link
L39

Credit Report

Your Credit Score:

760

Credit Score Range:

Excellent

300 350 400 450 500 550 600 650 700

Excellent: 750
Good: 720
Fair: 680
Uncertain: 650
Poor: 600

Credit Score Grades:

A+

Payment History – 35% of Score

2.3 Consumer Protection

2.3.1 THE NEED FOR CONSUMER PROTECTION

Unfortunately, sometimes things go wrong with consumer purchases - products fail to arrive, or are damaged when delivered, or do not operate as they were supposed to or as promised by the sales person. In these circumstances, you need to know your consumer rights to work out whether you are able to force the seller to repair the goods, replace the goods, or refund your money. This is called the process of **consumer redress**.

Worse than such unfortunate circumstances, sometimes unscrupulous people attempt to scam, or **rip-off**, consumers in a wide variety of different ways. Alternatively, rip-offs can be where the seller engages in behaviour which is designed to trick the consumer in some way to the benefit of the seller - which is called **unconscionable conduct**.

In order to deal with these situations, there is a need for consumer laws to protect consumers both in relation to typical problems that may arise in relation to consumer goods purchases and the usage of consumer goods, and also to protect against deliberate fraud on consumers. For consumers and businesses in New South Wales there are two important pieces of legislation (laws) that impact consumer protections, namely the *Competition and Consumer Act 2010* (Commonwealth) and the *Fair Trading Act 1987* (NSW). The government regulators that administer these two important laws are the Australian Competition and Consumer Commission (ACCC) and NSW Fair Trading.

Some of the more common ways to rip-off consumers have now been specifically prohibited in the Australian Consumer Law, which is Schedule 2 to the *Competition and Consumer Act 2010* (Commonwealth). The Australian Consumer Law is also the consumer law that applies in New South Wales as the *Fair Trading Act 1987* (NSW) was amended to incorporate, word for word, the terms of The Australian Consumer Law as set out in Schedule 2 to the *Competition and Consumer Act 2010*.

Unfair practices prohibited by Australian Consumer Law

Chapter 3 of the Australian Consumer Law prohibits a number of unfair practices by sellers, including the following:

Lying about the goods: Sellers cannot make false or misleading statements about:

- the quality of goods,
- that the goods are new when they are used,
- a testimonial from another person, or a person who has used or sponsored the goods
- the availability of repair facilities or spare parts
- the country of origin of the goods
- the warranty provided with the goods, or available to the consumer under the Law
- how the current price offered compares to a previous price (i.e. discounts must be compared to prices of prior recent sales)

Offering rebates, gifts and prizes with conditions: Sellers cannot offer a gift where the consumer winner can only collect the prize or gift after they have made a purchase from the seller.

Bait and switch advertising: Sellers cannot advertise a good or service where they will not be able to supply the good, and where they have advertised with the intention of luring consumers into the store, and once there, selling them a different, more expensive product (i.e. bait the customer with the low priced product which is not stocked and then switch the consumer to a higher priced product once in store).

Syllabus

Students investigate the need for consumer protection

Scams
A dishonest scheme or fraud. May occur in the context of consumer decisions and purchases, but may occur in other contexts (romance scams, kidnap scams etc)



Link
L40

MISLEADING

Asking for payment for unsolicited goods and services

Sellers cannot send unrequested goods to a consumer and demand payment for those unsolicited (unrequested) goods. This was a common scam where physical goods were mailed or delivered to the consumer, for example a magazine or books, and the seller would demand payment for the goods. The Australian Consumer Law provides that the consumer does not have to pay for the goods. In fact, if the consumer does nothing then they own the goods after three months. If the consumer notifies the seller in writing that unsolicited goods have been received and are available for collection then unless the seller collects the goods within a month the consumer owns the goods without paying.

Telemarketing and door to door sales

Sellers are governed by specific rules in relation to telemarketing (calling people at home) and door to door sales (knocking on the door of people at home and trying to sell them goods, often with high pressure selling tactics). In these cases, called offering an unsolicited consumer agreement, there are rules around how and when the seller can approach the consumer, what information they are required to provide to the consumer, and the right of the consumer to later change their mind - even if they have signed something.

If the seller has followed all of the detailed rules (see below) then the consumer has 10 business days to change their mind and cancel the purchase contract either verbally by calling the seller, or in writing by email, letter or other written notice. It does not matter if the consumer has signed a contract. It does not matter if the goods have been delivered by the seller. It does not matter if the consumer does not have a reason to cancel the contract. This period of 10 business days is called a **cooling off period** - the consumer is provided a period of time to reconsider the consumer purchase in this situation of an unsolicited consumer agreement. The detailed rules include:

- the hours when the seller can approach the consumer (for telemarketers not on Sunday or public holidays, not before 9am, not after 8pm weekdays or after 5pm on Saturdays)
- the seller stating their name, their organisation, and the purpose of the call/visit
- a written, plain, clear language sales agreement must be immediately provided with total price payable and a statement of cooling off rights in the front page and a form to use to cancel the contract
- the seller must correctly advise the consumer of their cooling off rights

Failure to comply with visit times and identity disclosures extends the cooling off period to three months, and failure to comply with the other rules extends the cooling off period to six months.

Multiple pricing on an item

Where a seller has more than one price sticker visible on an item they must sell it to the consumer at the lower of the two displayed prices.

Referral selling

A seller cannot sell goods to a consumer by representing that after the purchase the consumer will obtain a rebate (part or full refund) of the purchase price by giving the names of other customers, or assisting the seller to make sales to other consumers.

In 2020 Australian consumers lost a record \$851 million in scams, however these are just the reported losses and the actual losses could be far higher. The ACCC's annual *Targeting Scams* report records that more than 216,000 scams were reported to the ACCC, other government agencies and financial institutions in 2020, with losses of over \$851 million.

The largest category of scams were investment (get rich quick) scams causing losses of \$328 million, with romance and dating scams being second worst with losses of \$131 million.



Link to the ACCC's Targeting Scams report

Pyramid schemes

A seller cannot sell participation in a pyramid scheme to a consumer. A pyramid scheme operates by a consumer paying a joining fee on the basis that they will benefit in part from future joining fees paid by future members that they introduce to the pyramid scheme. The creators of these schemes profit whilst those lower in the scheme may make little money, and those at the bottom lose their money when the scheme fails.

Scams are a significant problem for consumers in Australia, and the ACCC has created **ScamWatch**, an excellent website to provide information to consumers and small businesses about how to recognise, avoid and report scams.



Link
L42a

2.3.2 REASONS FOR AND FEATURES OF A SIMPLE CONTRACT

In order for a consumer to have rights that the law will recognise and protect in relation to a consumer purchase **the consumer must have a contract with the seller**. If there is no contractual relationship between the seller and the consumer then the law will not intervene, and the consumer will have no remedy or protection. For example, if a friend agreed to meet you at the mall at a certain time and failed to arrive you would not be able to take them to Court because the Court would find that no contract existed between the two of you.

Syllabus

Students explain the reasons for, and features of, a simple contract, for example through the construction of a written contract for a financial transaction

Over time the Courts have developed relatively clear law on what must be present in the conduct between the seller and the consumer in order for a simple contract to arise, for a contract between them to exist and be enforceable by the Court. If any of these elements are absent, the Courts will hold that no contract exists between the seller and the consumer, and the Court is not able to intervene to protect the interests of the consumer. This is why the consumer wants to ensure a contract is in place. Contracts can be oral, or written.



Link
L42b

The elements which must be present in order for a contract to exist between the seller and the consumer as outlined in the table below, are **offer, acceptance, consideration, and intention to create legal relations**. Additionally, the contract must be capable of being performed, and should not give rise to any breaking of the law (i.e. does not have an illegal purpose).

Element	Description	Example
Offer	The seller offers to sell the goods to the buyer for a price, or the buyer offers to buy the goods from the seller for a price	Selecting a good in a store and taking it to the cash register is the consumer making an offer to the store to purchase the good at the marked price.
Acceptance	The purchaser accepts the seller's offer; or The seller accepts the purchaser's offer	The store assistant agrees to sell the goods to the purchaser at the marked price.
Consideration	Something of value must pass between the buyer and seller.	Consideration is provided by the consumer providing cash or other payment form to the seller.
Intention to create legal relations	The intention of the parties is to make a deal which is enforceable - consideration will usually provide evidence of this. Social or family contexts may arise where there is no intention to create legal relations.	The purchaser of headphones at JB Hi-Fi, and JB Hi-Fi intend to create legal relations and for the title to the headphones to pass to the consumer on payment of the agreed consideration (purchase price).

2.3.3 Legal rights and responsibilities of consumers

Syllabus

Students investigate the legal rights and responsibilities of consumers, including protection through legislation, for example the purpose of the *Competition and Consumer Act 2010*

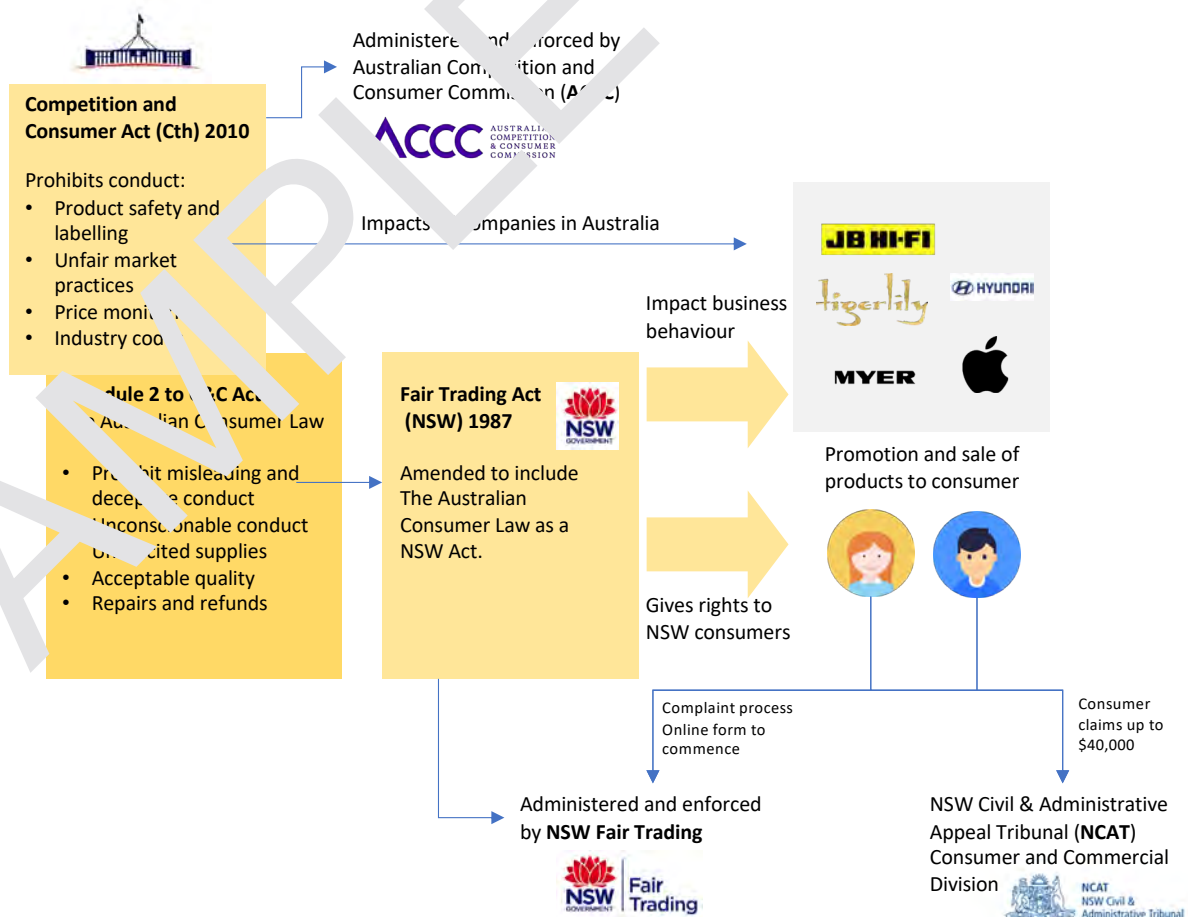
The protective legislation for consumers in Australia is somewhat complicated by the fact that consumer protection laws are a state matter, and were different in every state and territory. In other words, every Australian state and territory had their own consumer protection legislation, and their own government agency that administered that jurisdiction's consumer protection laws. Of course, this was not sensible, and imposed additional costs for business.

In 2010 this was simplified with the passage of the *Competition and Consumer Act 2010* (Commonwealth). As indicated in the graphic below, Schedule 2 to the *Competition and Consumer Act* is The Australian Consumer Law. In order to be the law of each state and territory, each jurisdiction ensured that an identical state law was passed in the same terms as Schedule 2 to the *Competition and Consumer Act*. In this way, the identical terms of The Australian Consumer Law was passed and is operational, in each state including New South Wales.

In New South Wales this was achieved by an amendment to the *Fair Trading Act (NSW) 1987*, which now includes the full text of the Australian Consumer Law. In this way, provisions of the *Competition and Consumer Act* which deal with anti-competitive conduct and agreements between sellers is administered by the ACCC, and the provisions of the Australian Consumer Law, which are duplicated in identical state legislation, are administered by local, state based consumer protection regulators. In New South Wales, that government agency is called NSW Fair Trading.



Link L43



Consumer rights under the Australian Consumer Law

The Australian Consumer Law provides distinct rights for consumers in relation to guarantees, warranties and refunds. The key language in the Australian Consumer Law is that the goods must be of **acceptable quality** - which is determined having regard to what would normally be expected for the type of product, how it was sold, and how much it costs. Acceptable quality means that they must be safe, lasting, with no faults, look acceptable and do all the things someone would normally expect them to do.

Consumer products must also:

- match descriptions made by the salesperson, on packaging and labels, and in promotional material or advertising
- match any demonstration model or sample you asked for
- be fit for the purpose the business told you it would be fit for and for any purpose that you made known to the business before purchasing
- come with full title and ownership
- not carry any hidden debts or extra charges
- come with undisturbed possession, so no one has a right to take the goods away or prevent you from using them
- meet any extra promises made about performance, condition and quality, such as life time guarantees and money back offers
- have spare parts and repair facilities available for a reasonable time after purchase unless you were told otherwise.



Link
L44

If the product does not satisfy the above, or is not acceptable quality (for example it fails during the period that it would be reasonable to expect it would last if it were of acceptable quality when sold) then the consumer has a range of rights.

Product problems and refunds

If there is a minor problem with the product or service, the seller can choose to provide a free repair instead of a replacement or refund. There is no general consumer right to a refund if the consumer changes their mind, and there is no general consumer right to a refund if there is a minor problem with the product or service.

If there is a major problem with the product the consumer may ask for their choice of a replacement, or a refund. A major problem would include where the design of the product is such that it would never be able to be fit for its usual purpose, or where it cannot be fixed within a reasonable time.

Importantly, these rights arise irrespective of the terms of any sign posted by the seller that there are no refunds for any reason. Such signs misrepresent consumer rights under the Australian Consumer Law.

Labelling on textiles

In addition to rights in relation to guarantees and quality, consumers also have a right to have care labelling for clothing and textile products to enable them to make an informed choice about the goods they may be buying, and how to care for them. Care labelling outlines how a consumer should care for a particular clothing or textile product, and things to do, and not to do, when cleaning or caring for a product. The mandatory standard for care labelling is based on Australian/New Zealand Standard (AS/NZS) 1957:1998, Textiles—Care labelling with variations and additions made by Consumer Protection Notice No. 25 of 2010.

Responsibilities of the consumer

If the consumer rejects goods they must advise the supplier and explain why. They must also return the rejected goods to the supplier or ask the supplier to collect the rejected goods if the goods cannot be returned to the supplier without significant cost to the consumer.

Consumers also have a responsibility to read the instruction manual provided by the supplier and any usage directions and maintain equipment in line with the manufacturer's instructions.

Of course, the consumer is also responsible for paying the price for the goods, and for identifying any issues with condition (for example when buying a used car or a house) as the seller is not under a duty to disclose and the doctrine "buyer beware", or in Latin, caveat emptor, applies.

Syllabus

Students explore the assistance and protection provided by consumer protection agencies and independent bodies and organisations, including state and federal government agencies

2.3.4 Agencies and organisations that provide assistance and protection to consumers

There are a range of government, and non government organisations that provide assistance to consumers. The syllabus refers to consumer protection agencies and independent bodies and organisations, including state and federal government agencies.

State government agencies

For consumers in New South Wales, the main government department is **NSW Fair Trading** and the NSW Civil and Administrative Appeals Tribunal (Consumer and Commercial Division) (**NCAT**). **NCAT** is the last stage of the process where it is not been possible to resolve the consumer dispute without resorting to the legal assistance of the Tribunal.

Whilst consumers can always access the assistance of NSW Fair Trading (outlined below), for some types of consumer disputes there are specialist government agencies (often referred to as ombudsman) or regulators who may be better placed to assist the consumer with the dispute with their supplier.

The types of disputes, and the details of the relevant government agency, are outlined in the table below.

Type of consumer dispute	Organisation to assist consumer
Financial institutions	Financial Ombudsman Service Australia
Dry cleaning	Dry Cleaning Institute
Education and training	VET Student Loans Ombudsman, Australian Skills Quality Authority
Electricity and gas	Energy and Water Ombudsman NSW
Health	Health Care Complaints Commission
Insurance	Financial Ombudsman Service Australia
Legal and conveyancing	Office of Legal Services Commissioner
Telecommunications	Telecommunications Industry Ombudsman
All disputes	NSW Fair Trading
All disputes	NSW Civil & Administrative Appeal Tribunal (NCAT) Consumer and Commercial Division



Link
L47



Federal government agencies

Responsibility for enforcing the *Competition and Consumer Act 2010* (Cth), and the Australian Consumer Law which is a schedule to the *Competition and Consumer Act*, rests with the Australian Competition and Consumer Commission (**ACCC**). Importantly, the ACCC generally focuses on the provisions of the *Competition and Consumer Act* in relation to the behaviours of business to encourage competition and to address issues causing the most harm to Australian businesses and consumers rather than assisting consumers to resolve individual consumer protection issues. For the resolution of individual consumer complaints consumers are directed towards the various state agencies (including NSW Fair Trading) and the various industry ombudsmen.

In addition to the ACCC, the Australian Securities and Investments Commission (**ASIC**) also has a role in relation to the protection of consumers as it relates to the financial system and interactions with banks and financial institutions. ASIC is responsible for promoting the confidence and informed participation of consumers in the financial system through the enforcement of the consumer provisions of the *Australian Securities and Investments Commission Act 2001*, the *Corporations Act 2001* and the *National Consumer Credit Protection Act 2009*. These include overseeing financial markets and an education and licensing regime for brokers and advisers, and also includes regulating consumer financial contracts to ensure they do not include unfair contract terms. Unfair contract terms are defined as terms in a standard form consumer contract that:

- would cause a significant imbalance in the parties' rights and obligations arising under the contract
- are not reasonably necessary to protect the legitimate interests of the party that would benefit from the term, and
- would cause detriment (financial or otherwise) to a consumer if it were to be applied or relied on.

Independent organisations

CHOICE is the leading independent consumer advocacy group in Australia, funded by its members. Members obtain access to a range of reports and information services which are regarded as high quality, and often include product comparisons and evaluations to assist consumers make better decisions.

In the words of the CHOICE website:

CHOICE exists to ensure that Australian consumers like you get a fair go.

CHOICE has operated for more than 50 years, and undertakes a range of activities including advocating consumer rights, improving shopping, testing products or giving independent, unbiased advice about food, finance and health services. The flagship member service for CHOICE is the publishing of CHOICE magazine, which performs and publishes very highly regarded product testing which is very useful for consumers. Membership of CHOICE is less than \$100 per year, which includes access to online resources, assistance on consumer rights, and physical delivery of the Choice publication.

Reading the independent product reviews contained in CHOICE magazine can be very useful especially when considering large purchases. These purchases could include whitegoods (washing machines, dryers etc) or larger items like cars and caravans.



Link
L48b



Resolving through media pressure

In some cases, consumers may seek the assistance of media through stories in newspapers, current affairs television programs or through calling in to talkback radio programs in order to attempt to place pressure on the supplying business in order to remedy a consumer dispute. There are also consumer oriented call in radio programs where consumers can seek assistance and advice in relation to potential consumer protection related issues.



Link
L48b



Syllabus

Students examine the processes of consumer redress, for example proposing options for a consumer who has purchased a product that is not fit for purpose/of acceptable quality



Link
L49

2.3.5 PROCESSES OF CONSUMER REDRESS

Fair Trading NSW advise customers to contact the retailer or business with whom they may have a complaint before lodging a formal complaint online with Fair Trading NSW.

The easiest way to register a complaint is online at the Fair Trading NSW website, however complaints can also be made by mail and also by calling the Fair Trading NSW hotline on 13 32 20. The online complaint form is easy to complete, and requests details of the good or service, background to the complaint, and efforts you have made to resolve the dispute with the relevant business or retailer. Fair Trading NSW will review your online complaint form, and they will work with the supplier to remind them of your rights under the various laws that protect NSW Consumers. However, Fair Trading NSW cannot compel the business or retailer to provide a refund or other remedy - if the business does not take the advice by Fair Trading NSW then the consumer may have to take the complaint to NCAT, which is a Court process which can then compel the business or retailer to resolve the complaint.

In this way, NSW Fair Trading works with the parties to seek a mutual resolution to the complaint. They aim to resolve most complaints within 30 days. NSW Fair Trading also publishes the NSW Fair Trading Complaints Register which lists businesses that are the subject of more than 10 complaints to NSW Fair Trading in a calendar month. Businesses are listed according to the brand name under which they trade, to make it easier for consumers to review the list. In 2015-16 NSW Fair Trading received over 50,000 complaints from consumers. The following is the Complaints Register for August 2021.

Business Name	Number of Complaints
Samsung Electronics	40
Apple	33
Ebay	27
Bloomer Australia	18
Island	17
JB Hi-Fi	16
Myer	15
Westmart Australia	13
Book.com	12
Livio Living	12
Plumb Corp	12
Australia Pass	11
JD Sports	11
Spotlight	11
Dshop QLD	10
Metricon Homes	10
Wotif.com	10

Complaint Registration: August 2021
Business Name: Ebay
Number of Complaints: 27

Where the consumer is not satisfied after NSW Fair Trading have attempted to facilitate a settlement to the dispute, the consumer may commence formal proceedings at NCAT. Again, like the process to lodge a complaint with NSW Fair Trading, an NCAT proceeding is commenced by the consumer completing an online form at the NCAT website. The fees to commence general consumer or commercial proceedings depend upon the amount of the claim. By way of example, where the claim is less than \$10,000 the standard fee to commence the NCAT claim is \$52 (2021) with a reduced concessional fee (for pensioners).

2.4 Financial Management

2.4.1 CONSEQUENCES OF POOR FINANCIAL MANAGEMENT

One of the important benefits of preparing a budget, and then tracking income and expenses during the year, is to avoid over commitments.

Overcommitments refers to the situation where you have spent money, or signed up for regular services (like a phone plan, a gym membership, or a streaming service) or borrowed money (for example by purchasing goods and services using a credit card) and you are unable to pay your bills. It is important that the budget plan also has a total for borrowings for the household, that is, what is the total amount each month which is owed to banks and other lenders, and that the estimated expenses in the future record the likely interest payments, and the amounts required for repayment of the loan.

Where a consumer fails to pay their bills on time, this will be recorded by the seller of the goods and services, or the lender, on the credit report for the consumer which will make it more difficult in the future if the consumer wants to apply for loan. Poor financial management (resulting in over commitments) can lead to a range of adverse (negative) impacts for the consumer, including financial consequences (penalties), legal consequences (being sued for the amount owed, or becoming bankrupt) and social consequences in particular where loans from friends, family and acquaintances are not repaid as agreed.

One of the significant legal consequences of failing to pay your bills is that the people you owe money to may apply to the Federal Court to have you declared bankrupt (which lasts for 3 years). If you are made bankrupt:

- an independent person will be appointed by the Court, called a Trustee, who will manage your financial affairs
- if you earn more than \$60,515 (2021) after tax the Trustee can take amounts above that to pay the people you owe money, (called garnisheeing your income)
- during bankruptcy, your Trustee may be able to claim, and sell, some of your possessions, and use the proceeds from sale to pay your debts. Those possessions include real estate, vehicles, bank balances, tools and lottery winnings although you will be able to keep some tools (up to \$3,800 - 2021) and a vehicle (up to \$8,150 - 2021).
- during bankruptcy you can only travel overseas with the prior permission of your Trustee
- at the end of three years, your bankruptcy ends, and any remaining unpaid debt ends - you no longer owe debts and the lender can no longer seek payment. Your credit report will record you were a bankrupt for 2 years from when your bankruptcy ends. Certain professions may disqualify those who have been bankrupt from practicing in those professions, including lawyers, accountants and licencing regimes in a number of industries including construction.

Syllabus

Students investigate the consequences of poor financial management including:

- excessive debt
- impact on wellbeing of the individual and families



Link
L50



There are a range of personal, social and legal consequences which arise from poor financial management as follows.

Personal consequences

At a personal level, poor financial management can leave the individual with insufficient resources in order to address their needs and most basic wants. In extreme cases this means the individual may have insufficient financial resources for food and shelter, and may become homeless. In less extreme cases poor financial management will result in reduced financial resources to be used to fund the wants, lifestyle choices and recreation interests of the individual - one's quality of life is severely impacted by poor financial management. In addition to reducing the ability to fund wants, poor financial management also compromises funding available for key expenditures - for example health care, dental care and routine maintenance and other costs - for example those associated with registration, insurance and maintenance of motor vehicles which may significantly impact the mobility of the individual.

Social consequences

Social consequences arise both from the stresses and tensions associated with financial distress, and also from the exclusion arising from the inability of the person to afford to participate in social events and activities being unable to afford to travel to, or participate in, recreational activities ranging from movies to concerts to gym memberships. Stresses and tensions from financial distress can lead to conflict within relationships and families, and the breakdown of those relationships. Those stresses can in turn lead to coping behaviours using alcohol or other drugs which in turn may worsen the situation. In terms of social exclusion, consider the impact on you if you could no longer afford internet connection or a mobile phone plan and the impact this would have on your ability to function within your social group.

Legal consequences

As mentioned above, in addition to the adverse personal and social consequences, there are very significant legal consequences for the individual of poor financial management. Firstly, those that you owe money to can apply to the Court for an order directing the Sheriff to take control of your property (called seizing assets) and sell them in order to pay your debts. After first obtaining a judgement from the Court confirming that the debt is owing and unpaid, the creditor (the person you owe money to) applies for a **writ for the levy on property** which the sheriff executes by taking and selling your personal property. Alternatively, the creditor may apply for a **garnishee order** to enforce the judgement, which is a court order that allows the creditor to recover the amount from your bank account, or from your wages, or from someone else that owes you money. The order is addressed to the bank, or your employer, and they must pay that amount to the creditor and not to you. The order cannot take all of your wages - the law provides that a minimum amount of money may be kept to live on.

Finally, the people you owe money to may apply to the court to declare you **bankrupt** which has the financial consequences outlined on the previous page.



Link
L51

BANKRUPT

2.4.2 ROLE AND IMPORTANCE OF LONG-TERM FINANCIAL STRATEGIES, INCLUDING SUPERANNUATION

Most individuals have a range of short term financial goals, which are plans or goals in relation to spending which will occur within a few months, or a couple of years. These are relatively immediate expenses, and include items such as

- an emergency fund for unforeseen expenses
- payments for rent, insurances or interest payments on loans
- credit card payments
- personal goods - for example a new bike, a new sound system, or software
- regular expenses like a gym membership or a Netflix subscription
- holiday expenses
- a wedding or other social event
- minor house or car repairs

On the other hand, long term financial goals relate to matters which may take several years or longer to be able to reach. This is not about spending this year, but about long term decisions to finance and undertake activities. Common examples of these longer term financial goals include:

- funding a comfortable retirement
- saving for a deposit and then paying off the home loan (secured by a mortgage)
- saving to buy an investment property
- saving to invest in shares or purchase a car or caravan
- saving for personal, or children's education expenses

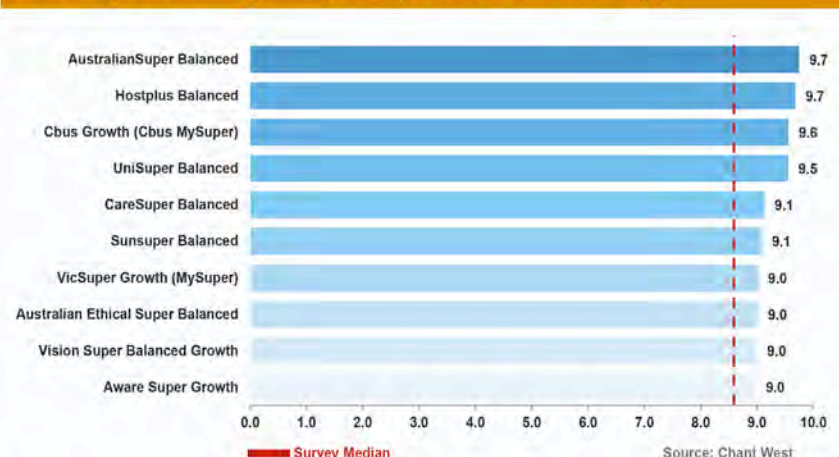
Importantly, unless your financial plan addresses both the short term and long term financial objectives it is likely that you may address the short term matters, but not put away money for the longer term goals which will then need to be achieved. It takes patience, planning and discipline in order to ensure that progress is made every day towards the long term financial decisions by each decision you make. For example, buying a coffee and a muffin five days per week over a year is \$2,000, which if you are earning average wages means a before tax wage of around \$4,000 is being spent just to buy coffee and cakes.

Superannuation is about funding for a comfortable retirement and other than the family home, is typically the most important way that Australians save for their retirements. As Australia has an ageing population, pension costs were forecast to significantly and unsustainably rise - and even then, the standard of living that you would obtain in future living just on the pension would not guarantee a very comfortable standard of living. Superannuation is way to fund, or partly fund, a better retirement through increasing the financial resources available to you when you retire.

Syllabus

Students discuss the role and importance of long-term financial strategies, including superannuation

Chart 2: Top 10 Performing Growth Funds (10 Years to June 2021 – % pa)



Notes:

1. For inclusion in the Top 10, an investment option that is not a fund's main option in the Growth category must meet a minimum size requirement of \$1 billion.
2. Performance is shown net of investment fees and tax. It is before administration fees.

Australia's superannuation system

Commencing in 1993, Australia has a system of compulsory superannuation contributions. This means that employers have to deduct a percentage of your pay and send that to a superannuation fund account in your name, which is then invested for you to be available when you reach retirement age. This applies where you are over 18, and where you are paid \$450 or more before tax each month. When the scheme started, it was only 5% as a compulsory deduction from your pay, which has been increased over time and is now 10% in 2021. You choose what super fund you want to hold your money, and you can tell them and what types of investments you want to make with your money - for example, you might want half invested in Australian shares, and half invested in US shares - it's up to you.

Not only does the law require you to save this way, it also provides some tax advantages.

- Firstly, you pay only 15% personal income tax on the 10% of your pay which is contributed to your super fund.
- Secondly, any earnings on the money in your super fund (for example a dividend paid by Telstra on the shares that your superfund has purchased for you) is taxed at a concessional rate of 15%. If you bought the Telstra shares directly (not as part of your superfund) then you would pay tax on a dividend received as part of your normal assessable income in your tax return, losing up to 45% of the dividend in tax. So there is an advantage to investing through your superfund, and the government also enables you to make additional voluntary contributions to your superfund to take advantage of that tax treatment - up to \$110,000 per person annually from 2021.
- Finally, when you reach what is referred to as your preservation age (which is 60 years if you were born after 1 July 1961) you can then access those funds and there is no tax payable when you withdraw money from your superfund account.

Australians have around \$3.3 trillion in superannuation to help provide for their retirements.

Some issues arise for consumers in relation to superannuation, so there are still decisions to be considered and made. Those include:

avoiding having a different superfund every time you change employers. This can lead to a large number of orphan super accounts which have unclaimed monies because people forget about them. This is referred to as lost super, and the Australian Taxation Office has an online tool to help you search for any lost super accounts you may have. It is estimated that Australians have over \$13.8 billion in lost or unclaimed superannuation in accounts across Australia as at 30 June 2020.

avoiding high fees - different superfunds charge different fees - which are a percentage of the amount you contribute, and a percentage of the balance held. For example these can be between 0.88% and 1.24% of the amount contributed - and the fees paid in the industry amount to some \$30 billion per year

- avoiding unwanted services - some superfunds bundle in a charge for insurance products and whilst it is disclosed in the paperwork to the customer many do not know they have this cover. Over half of the super accounts in Australia have life insurance attached
- picking a good fund manager - every superfund will have a different record of generating returns, and you can decide to move your superfund account from one superfund to another to try to improve your financial outcome
- deciding what to tell the superfund to invest in for you - you may have a view that the share market is going to have an adverse correction and so you can advise your superfund to rebalance your investments away from shares and into a fixed interest loan to a bank to avoid the volatility



2.4.3 TOOLS AND STRATEGIES FOR EFFECTIVE FINANCIAL MANAGEMENT

Monitoring and record keeping

It is important for consumers to keep, review and maintain records of their consumer purchases.

One of the advantages of purchasing goods and services using a credit card is that details of the transaction are stored by the bank, and can be reviewed by the customer online using their internet banking, or mobile banking app offered by the consumer's bank. Banks generally provide easy online access to:

- view recent transactions
- view transactions processed over the last 120 days and the details of those transactions
- print details of the transactions
- download the transaction information which can then be uploaded into the consumer's personal finance software

Most banks will also send (electronically or by mail) their customers a statement (record) of all of the transactions that have occurred during the month. In the case of credit cards, this will also indicate the amount that the consumer now owes to the bank for those purchases using the credit card. A range of free and paid apps are also now available which can be used to record and track expenses and consumer purchases, including:

ACCC Shopper app

This helpful free app provided by the ACCC contains answers to common consumer questions, can set reminders for lay-bys, warranties and gift vouchers and importantly also has an easy way to store receipts for consumer purchases as photos on your phone. Since many receipts are thermally printed which fade very quickly, the ability to take a picture of the receipt can be even better than saving the original - and is certainly more convenient.

Monitoring mobile phone costs

Unless your mobile phone plan has unlimited calls and data, download the app from the telephone company which will typically enable you to monitor your current month usage to ensure that you are not going to be charged fees for exceeding your plan limits. Most plans also enable you to set up warning emails when you reach percentages of your allowed usage - for example an email at 50% and 80%. This then enables you to moderate your usages to ensure you are not paying large fees for excess data. Of course, one also needs to ensure that roaming data returns are not when travelling internationally - otherwise very large fees and charges may apply.

Budget

One way you can monitor and record keep is by using spreadsheets and databases to maintain effective records and monitor monthly transactions including running totals of cash, debit and credit purchases. In reality today, a number of consumers use the online and mobile tools provided by their banks, however, we will take a look at how it could be done using a spreadsheet as it is an important commerce skill.

The most common spreadsheet is Microsoft's Excel, although you could equally use Google Sheets, or Apple's Numbers to do the same job. A spreadsheet is a digital recreation of a piece of paper that has many rows and columns. Such pieces of paper (spreadsheets) have often been used over time to record columns of numbers and details. The advantage of using the computer to create the digital version of a spreadsheet is that you can easily get the computer to do all the maths for you, to automatically create totals of the various categories, and to create a running total of the value of all of the transactions recorded so far.

Syllabus

Students investigate tools and strategies for effective financial management, including:

- monitoring and record-keeping to avoid overcommitment, eg managing mobile phone
- budgeting using digital technology to develop a financial plan
- savings and superannuation plan



Link
L54



Any spreadsheet is a collection of row and columns, and generally the columns use letters (A, B, C, D etc) and the rows are numbered (1, 2, 3, 4 etc). In this way, each item in the table (called a cell) has a special name, or address.

The top left hand corner of the spreadsheet would be A1.
 The cell to the right of A1 would be B1
 The cell below B1 would be B2

The reason that this reference is important is that in any cell in the spreadsheet we can type in (enter) one of three different types of things:

What can be typed in a cell	Description	Example
Text	Any words of text. In a spreadsheet to track payments all of the headings for columns and rows would simply be entered as text.	John Henry Credit payments Cash payments Total
A number	Any number or date can be typed into a cell. When typed in as a number, Excel can perform math operations using the number that is typed in. In a spreadsheet to track payments the numbers for each of the payments would be entered into cells in the spreadsheet, with one number entered in each cell.	34.3 24/12/67
A formula	Always commencing with an = sign, a formula indicates to Excel that you want it to perform some kind of mathematical operation, generally using the values that are present in one or more of the other cells in the spreadsheet. You reference those other cells using their cell addresses. Note that special words can be used in the formula (sum) which will add the numbers in each of the cells in the range of cells included in the brackets.	=A4+B4 =sum(A4..A99)



Link
L55



Link
L53a

Database

A structured set of data held in a computer that can be easily accessed, managed and updated. A spreadsheet recording consumer spending by type of payment would be considered to be a database storing details of the consumers spending transactions.

Checkout the short video at matthewparsons.com/9comm/spending which provides an overview of what you need to do to create a simple spreadsheet to track payments. The spreadsheet that you can create, with rows and columns to track and calculate your spending by different types of payment methods can be referred to as a **database** of your consumer purchases.

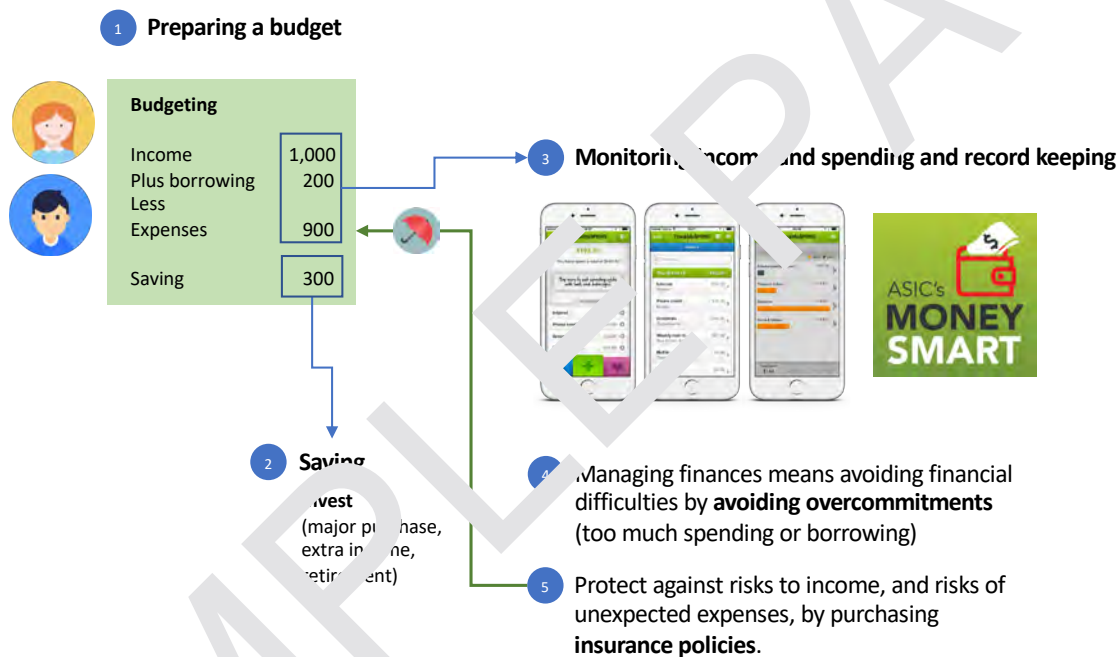
Managing finances: how

It is very important that all individuals know how to manage their finances. To manage finances has three steps, which will reduce the chance that you will face financial difficulties in the future.

Firstly it involves preparing a **budget**, which has a realistic forecast of your income, expenses, and your plan for saving. Secondly, it involves making sure that you **make the savings** that you have planned for in the budget. Thirdly, it involves **tracking** (recording) your income and expenses to see how you are going against your financial plan (the budget you made earlier). This third step is called monitoring income and spending and record keeping. Doing these three steps will help avoid overcommitments that arise because of too much spending, or too much borrowing that you cannot pay.



Managing finances: budgeting, saving, monitoring, avoid overcommitments.



STEP 1 - PREPARING A BUDGET

A budget is not particularly difficult to prepare, but is very important to enable you to better understand your income and expenses, and the impact of future planned purchasing decisions. A budget is simply a listing of all of the money that you receive each week as income, and how much you spend each week on goods and services. By having the information, and adding up all the income, and adding up all the expenses, you can see whether your proposed spending means you will be saving money, or whether you will be borrowing money. The process of preparing a budget will enable you to better understand where your money goes, and to make better spending decisions - how much do you really need those new shoes, or would you be better off saving that money instead next month?

Because it is so important for all Australians to budget and to manage their finances, the Australian government, through the Australian Securities and Investments Commission (ASIC) publish an entire website dedicated to how to manage your money, called **MoneySmart**. On that website is a free budget planner you can use online (and a template Excel spreadsheet if you prefer) that you can use. Just google moneysmart budget.



To prepare a budget requires you to consider all of the income which you will receive in the coming year. This would include regular income like a salary, and also include rental income, interest income, and dividend income received from owning shares.

Secondly you need to consider all of the various expenses that you will likely have in the coming year. The online budget planner from ASIC is an excellent, easy to use way to identify and include all of the common expenses for an individual in Australia. The categories of expenses in a typical personal budget in Australia would include:

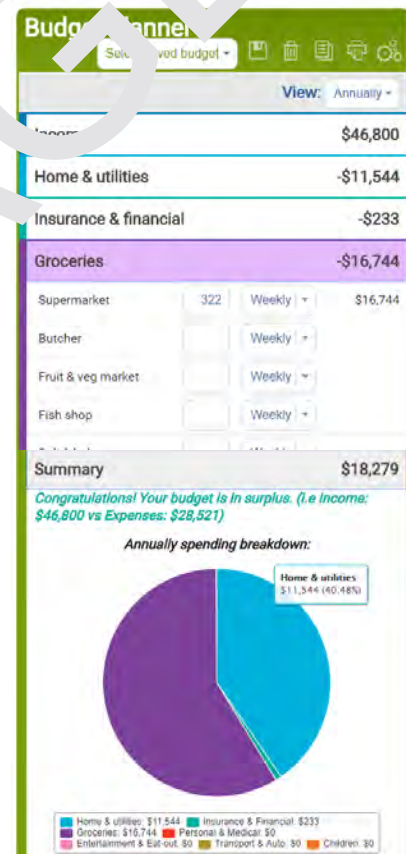
- home and utilities
- insurance and financial
- groceries
- personal and medical
- entertainment and eat-out
- transport and auto
- children

The size of expenses in each of these categories will change as we progress through different life stages. For example, spending on children, in particular, is quite high during childhood and however then significantly reduce when children leave home.

Once you have estimated all of the income and all of the expenses for the year ahead you can work out how much you are planning to save.

$$\text{Income} - \text{planned spending} = \text{available money to save}$$

The ASIC budget planner calculates your money available for saving in the year ahead which it refers to as a surplus. In the example to the right, the budget for this household has an income of \$46,800 and a surplus available for saving of \$18,279 after paying for expenses of \$28,521.



STEP 2 - SAVING

If the household receives the planned income and only spends the planned amounts for expenditure then there should be money available for saving. Some consumers actually put the savings money away first at the start of the month, and then use the money that is left to make the payments for goods and services as a way of making sure that they achieve their goal (budget) plan for savings. The decisions that a consumer makes with these savings is considered later when considering investment options for consumers.



Link
L55a

STEP 3- MONITORING INCOME AND SPENDING AND RECORD KEEPING

A budget is no use if it is created at the beginning of the year and never looked at again. Records need to be kept of actual income and actual expenses as the household moves through the year, and the details of the actual numbers need to be entered into the budget to be able to see whether the financial plan is being achieved.

This sounds easy, but in practice it is actually pretty difficult and takes discipline because when we are spending money the last thing in the world we want to consider is writing down how much we are spending on the new phone - we just want to take it out of the box and start using it!

However, good financial managers always have good financial records and an approach to monitoring their spending to make sure they are keeping with their budget. Bad financial managers, who do not achieve their spending and saving goals, are often those that do not have an approach to budget planning and tracking their income and expenses.

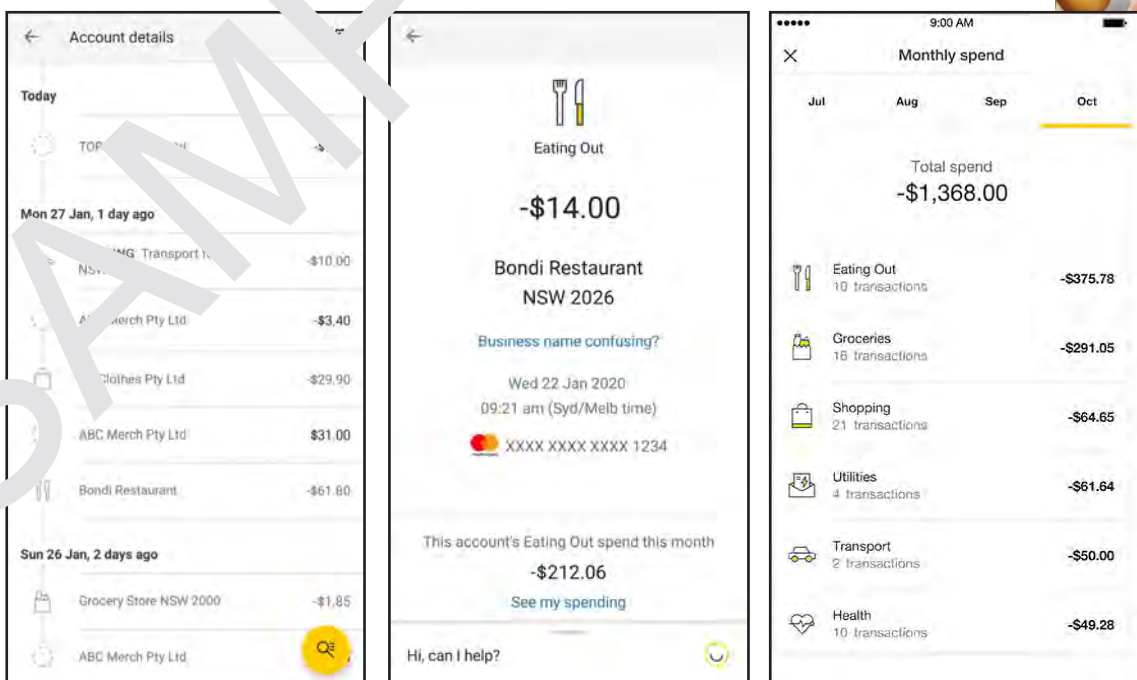
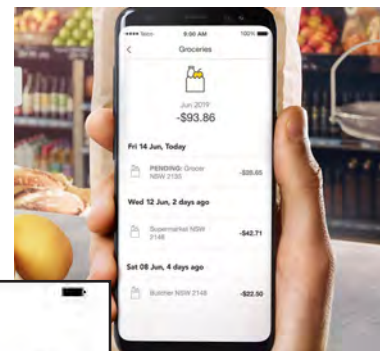
There are a wide range of free and paid app based expense trackers available for iOS and android phones - including free services provided by most of the Australian banks. For example, the Commonwealth Bank app is called Spend Tracker.

Using the free app, customers can:

- see what they have spent, what's coming up, and the impact on their balance
- review details for the transaction - for example the name of the restaurant, the date and the amount of the transaction
- categorise transactions for better analysis and review



Link L58



Syllabus

Students compare options for addressing financial difficulty, including:

- negotiating an alternative payment plan
- seeking support via a financial institution

2.4.4 OPTIONS FOR ADDRESSING FINANCIAL DIFFICULTY

Every year a large number of Australians will face financial problems, often as a result of poor personal finance practices. This can occur where:

- the person has not prepared, and stuck to, a budget
- borrowing has occurred to finance purchases of holidays, cars, and goods (often on credit cards) which the person cannot repay
- large interest charges are being made by banks on credit card debt which the person cannot pay off in full
- a change in circumstances, for example losing a job, means that the person is having trouble paying their bills
- an event occurred for which they did not have insurance, for example a health problem, theft of goods, damage to their house, or expenses arising through problems when travelling.

Sometimes someone who cannot pay their credit card bill will obtain a further, new credit card from another bank, and then try to pay off the existing credit card bill with the new credit card, and then use the new credit card to make even more purchases. When a person is not paying their bills, the person that you owe money to may engage a debt collector business who will often contact you to try to encourage you to pay - including calling your mobile phone, or calling you at home or at work. Whilst there are some legal limits on the times of day that debt collectors can approach and the tactics they can use, the pressure of being regularly contacted by debt collectors seeking payment can be very stressful.

If a person is unable to pay their debts, the worst possible thing is to try to ignore it. The problem will not go away. In fact it will only get worse as interest bills get worse, and additional fees, penalties and charges are made for the late payments. It is important to be proactive rather than to let financial difficulties get out of control. If a person encounters financial difficulties in making payments on debts and loans, they should:

1. **talk to the lender**, on the phone or in person, to notify them of the problem and seek agreement to vary the repayment terms for what is owing. The goal is to negotiate an alternative payment plan

2. **seek guidance, help, and professional advice.** There are a number of government and community based advice organisations that assist those in financial difficulties. These include the National Debt Helpline (a not for profit service that is partly funded by Federal and State governments), free and confidential financial counseling from the Salvation Army's Moneycare service or using paid professional services from accountants and lawyers who may be members of Financial Counselling Australia. The ASIC MoneySmart website also has a convenient search engine to locate a financial counsellor near you. Finally, you could seek assistance from the many community legal centres in Australia, details of which can be found on the National Association of Community Legal Centres website (naclc.org.au).

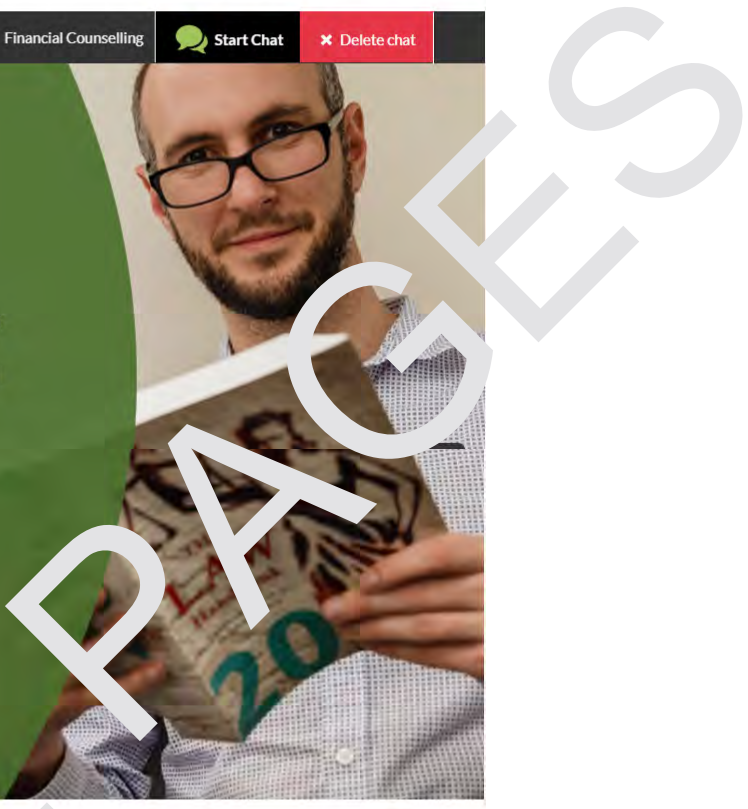


Link L57



KNOW YOUR RIGHTS

Dealing with debt can be very stressful. The good news is that there are extensive laws in Australia which protect you as a consumer and can help you if you are in financial hardship. This page provides an overview of your key rights and protections.



If you're experiencing financial hardship and struggling to pay off debt, it's important to understand your rights. Knowing your rights can help you when you are talking with your creditors and looking at how to resolve your debt problems.

This page provides information about the key rights you have in some common debt situations, such as credit law, debt collection, utility bills and payday loans. As you browse through the pages on this website, you'll see 'know your rights' sections at the bottom of some pages, that tell you more about your rights in specific debt situations.

While you have rights, it's important to be aware that your creditors also have rights under the law. These rights allow your creditors to pursue you for money you owe them. Read more about creditors' rights on the [Debt collection](#) page.



Link
L60

Know your rights

You cannot be sent to prison because you cannot pay a debt (except for fines).

Credit Law

The credit law applies to loans and leases for personal purposes. It also applies to finance and mortgage brokers. Some of the important rights you have are:

1. Disputes about your loan can be decided in free [external dispute resolution](#)
2. A right to request [financial hardship](#) and have the decision reviewed and decided in [external dispute resolution](#)
3. At least 30 days to fix a default on your loan
4. Being given information about the terms of your loan and access to copies of loan documents and account statements on request
5. Only provide you with credit that is "not unsuitable". This means that the loan is affordable and it meets your needs.

Debt collection

Financial hardship

If you cannot meet credit card repayments you can give the bank a hardship notice verbally or in writing.

Within 21 days of the hardship notice the bank can ask for relevant information, which you must provide within 21 days.

If the bank declines the hardship request they must provide reasons for refusal and details of the external dispute resolution scheme you can complain to.

The bank cannot commence enforcement proceedings until 14 days after a notice of refusal following a hardship notice.



Link
L61

One common approach to dealing with financial difficulties caused by having many different debts, including many different credit cards, is to consolidate those debts, and to set a budget plan. In fact, there is a business which specialises in providing just that service, called MyBudget.com.au.

DEBT CONSOLIDATION

Debt consolidation is the process where multiple debts, to different lenders, or different interest rates are combined into a single loan, with a single interest rate, and one monthly repayment amount. When debts are consolidated (put together and simplified in this way, the overall interest rate is in many cases less than the person is currently paying with all of the smaller, different types of loans from different lenders. This not only makes the process of keeping on top of the debts easier to manage (that is one loan and one monthly repayment to one bank rather than many different payments each month to many different lenders), the person may be able to repay the loans quicker because the interest rate in the consolidated debt is lower.

Of course, the borrower will still need to pay the loan off, which means that the person will need to prepare, and stick to, a budget that will include the repayment of the loan as part of the budget.

Success Review Story on MyBudget.com.au - Sarah

As we approach our four year anniversary with MyBudget we realise we carry our #MyBudgetGoals with us everywhere! A couple facing bankruptcy, we went to MyBudget with the ultimate goal "to get rid of debt so we could start saving to buy our own home." This picture is our journey... our first 'fancy' car, a wedding, a baby and **OUR OWN HOME!!!** All of this within four years! We are still working on to get rid of debt bit but thanks to MyBudget, our finances are not scary anymore.



2.5 Current issues

Students:

- investigate a current issue that influences the decisions consumers make, for example:
 - the impact of technology on payment processes
 - housing affordability and the impact on savings
 - various types of scams, eg relating to online shopping, banking and identity theft
 - management of personal superannuation, eg tracking and consolidating lost superannuation accounts

For each of the current issues throughout the syllabus topics, the syllabus indicates a range of possibilities which students **could** investigate in order to better engage with the material of the topic, in particular in its current context. For example in the context of the current issue, the syllabus indicates a range of alternatives that the student could investigate. The key issue is that students should investigate and report on a current issue - in the case of the current issue that influences the decisions that consumers make. In that investigation, the syllabus has indicated four possible areas which the student may choose to investigate. Alternatively, students may choose to investigate a different current issue - their choosing and still meet the syllabus requirements.

The resources to support an investigation by students in relation to these matters is contained on the web pages for each of the chapters on the website accompanying the book.

This is an opportunity for students to identify areas of interest and then to leverage internet research in order to deepen their understanding. In some cases, it may be appropriate for students to learn how to fashion their own research questions. In this way, the material that is studied by students on the current issues may well be quite different amongst the various students within the classroom environment.



Link
Curr2



Summary

The nature of commerce

- **Commerce** is defined as **the activities involved in the buying and selling of products** - specifically the buying and selling of goods and services by consumers.
- **Consumers** purchase **goods** (tangible) and **services** (intangible) to meet their **needs** (food, shelter) and **wants** (Netflix, sporting equipment).
- Consumers have **limited resources** (income and savings) resulting in **scarcity** and therefore need to make **choices**.

Consumers and financial decisions

- Consumers are **influenced** in their choices by advertising and marketing of businesses, age, preferences for convenience, culture, preference for customer service, disposable income (income after taxes) and their concerns in relation to the environment.
- Consumers decide:
 1. the amount of income to be **saved** or **spent** (consumption)
 2. what **types** of goods and services will be purchased
 3. which **particular** goods or service (brand, type etc) will be purchased
 4. **where** they will purchase the particular good or service that they have decided to purchase
 5. **how they will pay** for the purchase (cash, credit cards, credit for various lenders) based on considering the advantages and disadvantages of different payment options

Consumer protection

- There is a **need to protect consumers** from unethical practices of business which would occur without legal prohibitions and protection (false and misleading statements, price fixing) and to regulate the processes to be followed where goods are not of acceptable quality and therefore break or stop working.
- Consumer rights require a **contractual relationship**, which requires the elements of an offer, an acceptance, consideration and an intention of the parties to create legal relations.
- Consumers have **rights and responsibilities** under the *Competition and Consumer Act 2010* and the Australian Consumer Law which is a part of that Act, and also the Australian Consumer Law which is included in the *Fair Trading Act, 1987* (NSW). This includes rights to acceptable quality, and provision of remedies where goods are not of acceptable quality (right to repair or replacement, or refund if fundamental design problem).

Assistance to consumers in enforcing these rights is available from **NSW Fair Trading**, the **ACCC** and the NSW Civil and Administrative Appeals Tribunal (**NCAT**) in addition to advice and information from non government consumer organisations including **CHOICE**.

Financial management

- Poor financial management by consumers can result in **excessive debt** (more than the consumer can pay service and repay) and may have a range of **adverse impacts** on the wellbeing of the individual consumer and their family (including bankruptcy)
- Long term financial management strategies, including superannuation, are important to provide funds for quality of life in retirement
- Consumers should use digital and other approaches to actively **monitor** finances and **progress** towards **short term** and **long term** financial objectives
- Consumers in **financial difficulty** may seek to consolidate debts, negotiate alternative payment arrangements or seek assistance from their lenders or government and private sector agencies providing support to those in financial distress.



Glossary

7Ps of Marketing - the universal approach to determining marketing strategy, which includes Product, Price, Promotion, Place, People, Processes and Physical Evidence.

ACCC - the Australian Competition and Consumer Commission which administers the *Competition and Consumer Act 2010*.

Acceptable quality - the product quality standard under the Australian Consumer Law. Acceptable quality depends upon the nature of the good, the price, and how it is sold. Consumers have rights to repairs, or replacements, where the good sold is not of acceptable quality. The good must be safe, lasting, with no faults, look acceptable and do all the things someone would normally expect them to do.

Afterpay - a buy now pay later platform that lets consumers purchase products and pay over 8 weeks. Fees are payable if payments are not made.

ASIC - the Australian Securities and Investments Commission that regulates companies and protects consumers in relation to financial services products and services.

Bankruptcy - a formal Court process where unpaid creditors make application to the Court which, if successful has significant implications for the debtor (person owing money) resulting in the sale of assets and the appointment of a Trustee to manage their financial affairs for a period of three years.

Bpay - a secure bill payment process in Australia (online) where bills can be paid to over 60,000 participating businesses.

Caveat emptor - the principle of buyer beware - other than the provisions under the Australian Consumer Law the purchaser is responsible to inspect the goods and protect their own interests in the transaction.

Direct Debit - a written instruction to your bank to pay money from one of your accounts to someone else.

CHOICE - the leading consumer rights organisation in Australia who produce reviews and comparisons of products in a quality monthly magazine for members.

Commerce - the processes involved in the production and sale of goods and services

Comparison shopping - a structured process to compare the features and pricing of products for potential purchase, and different places to purchase those products, to best meet consumer needs.

Contract - a legally enforceable agreement between two people which must have an offer, acceptance, consideration (something of value) and an intention to create legal relations

Credit - a loan from the bank, or seller of the goods, to enable the consumer to purchase them

Credit card - an electronic card payment method using borrowed money where the bank pays the merchant and subsequently sends a bill to their customer.

Creditors - business (including banks) to whom a person owes money.

Debit card - an electronic card payment method using the consumer's own money.

Debt - an amount owing to a consumer to a creditor, for example the amount outstanding on a home loan (the payment of which may be secured by a mortgage)

Disposable income - the amount of income a consumer has after paying taxes, which can be used to purchase goods and services or save.

Durable good - a good that will be used over time (for example a car). As a durable good is used, its value decreases (called depreciation).

EFTPOS - a payment system (electronic funds transfer at point of sale) where a payment card (credit card or debit card) is used so that the seller of goods receives payment directly into their bank account rather than receiving physical cash.

Electronic transfer - a payment process (online or using mobile apps) where money is digitally transferred from the bank account of the purchaser to the bank account of the seller.

Fair Trading NSW - the NSW government department which administers the *Fair Trading Act NSW (1987)* which includes the Australian Consumer Law which protects consumers.

Fixed expense - an expense of a consumer which does not change depending upon usage, for example a gym membership.

Garnishee - a court ordered process as part of bankruptcy where a direction is given to the employer of the bankrupt to direct a portion of the bankrupt's income directly to their unpaid creditors.

Good - an item purchased by the consumer which is tangible (can be touched).

Impulse buying - where a consumer makes an unplanned purchase, often making the decision to buy just before buying the good, being influenced by marketing and promotion.



Income - money received by a person from work (salary, wages), from a business (fees, profit) or from investments (interest, dividends).

Interest - the charge or fee for borrowing money, expressed as a percentage of the amount borrowed (i.e. 4% interest per annum).

Layby - a payment arrangement where the consumer selects the good and pays a deposit, and the good is then put aside by the seller for them until they pay the outstanding balance in instalments over an agreed period of months.

Mail order - purchasing, often using printed catalogues, for delivery to the consumer by physical mail.

Manufacturer - the business that makes a good.

MoneySmart - the ASIC website to assist consumers as part of promoting financial literacy in the community.

NCAT - the NSW Civil and Administrative Appeals Tribunal, who among other things hears consumer complaints in relation to goods and services.

Needs - items which a person needs to survive including food and shelter.

Online shopping - purchasing goods and services using the internet (websites or apps on mobile devices).

Redress - to remedy, fix, or make right - for example, consumer redress refers to the process of consumers enforcing their rights in relation to acceptable quality.

Retailer - a business that sells goods and services to the public.

Scam - a dishonest scheme of fraud. May occur in the context of consumer decisions and purchases, or may occur in other contexts (finance scams, kidnap scams, identity scams etc).

Service - an action or activity purchased by the consumer which is intangible (cannot be touched).

Standard of living - the quality of life enjoyed by a person which includes income level, health, and life expectancy.

Superannuation - a sum of money saved during a person's working life which is used to fund retirement. In Australia employers are required to deduct 10% of payments to workers and send those funds to a superfund for the worker, which they cannot access until retirement.

Unconscionable conduct - a selling practice which is unfair, and often illegal.

Variable expense - an expense of a consumer which changes in value depending upon usage - for example expenses for petrol or food.

Wants - goods or services that a consumer would like to purchase, which is not a need (not necessary for survival).

Warranty - a promise by the seller of a product that it will operate free of defects for a specific period. Note that irrespective of any warranty offered by the seller, the Australian Consumer Law will impose a requirement of acceptable quality, which will impact the period during which a seller of goods must remedy (fix) defects in the good.

Wholesaler - a business that purchases in large quantity from manufacturers and on sells to retailers.

Writ of execution - a Court order directing the sheriff to seize named goods of the consumer to be sold to meet a specific outstanding debt of the consumer to a creditor.

Questions

1. Outline the personal factors that influence a consumer's purchasing decision.
2. Describe an example where environmental considerations may have influenced your purchasing decision in relation to a good or service.
3. Identify the 7Ps of a marketing strategy.
4. Distinguish between a product strategy for a product, and the promotion strategy.
5. Describe three selling practices which are prohibited by Australian Consumer Law in order to protect consumers.
6. Define unconscionable conduct.
7. What is the NSW law that protects consumers, and identify the government body that administers that law.
8. Outline the four necessary components for the law to recognise a contract has been formed.
9. Describe a consumer purchase where you entered into a contract.
10. Which government agency administers and enforces the provisions of the *Competition and Consumer Act (2010)* to protect competition in Australia's markets for goods and services?
11. Describe the non binding process which consumers could follow in order to resolve a consumer dispute.
12. Describe the binding process which consumers could follow in order to resolve a consumer dispute.
13. John bought an expensive watch for \$1,000, with a sign that said "6 months warranty". The watch breaks after 8 months. Analyse what legal rights, if any, John has.
14. Paulina purchased a new dress at a clothing store. She gets it home and changes her mind. Advise Paulina on her consumer rights in this situation.
15. Harrison purchases a new pair of shoes, and discovers a fault in the stitching when he gets home. He decides he doesn't like the shoes after all, and would like to obtain a refund. Advise Harrison on his consumer rights in this situation.
16. Distinguish between a credit card and a debit card as consumer payment methods.
17. Describe why a consumer would use a direct debit arrangement.
18. Describe recent changes in payment methods used by Australian consumers.
19. Why should a consumer keep records of consumer payments?
20. Assess the consumer rights information provided by the Fair Trading NSW on their website as an information resource for consumers.



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