lingua business

The Truth Shall Set You Free

By Paul Gibson

Times of crisis bring innovation, but unfortunately, they inevitably invite companies and businesses alike to offer seemingly "attractive" promotions, which actually disguise false advertising.

Take, for instance, your local financial institution. Many banks nowadays offer attractive account conditions which fall just short of bragging about how profitable they really are. The truth of the matter is, however, that the attractive offer of 10.5% interest on deposit, is accompanied by creative accounting known as the Cumulative Annual Interest Rate or the "Tasa Annual Equivalente". This means that basically, if you deposit 1,000€, that money turns into 1,105 euros in a year's time from the date of deposit. Sounds good right? Unfortunately, the same rate can disguise a harsh reality.

Maybe the offer only lasts for six months… so now that amount is cut in half. Those extra 105€ are now 52.50€. If you add to that the fact that we need to take 18% off those 52.50 for taxes, that means you are earning 45.05€. . A bit different from that original 10.5%. .Most consumers forget that the interest rate is always measured in terms of one year. 10.5 percent is actually 10.5 divided by 12 (12 months in a year), or 0.875% a month.

But it doesn't stop there. Be very wary of those promotions that cite a "buy two, get one free". Many of these promotions take advantage of the consumer to actually increase the price per unit. What seemed like an added value has now become a marketing trap.

But still, there are some good deals out there as well. Most bargains are hard to find, but worth the extra wait or the extra effort. Substitute products are a good way to save money. Instead of buying your normal brand name bathing soap, you can buy bar soap for half the cost, and still get the job done. But some mistake substituting products or buying generic products for buying cheap, less quality goods, and in most cases that is simply not true. Sure, there may be a kind of mistrust, when it comes to buying generic products, but most "generics" (at least here in Spain) are brand name quality products that are simply looking to increase sales. Many supermarket chains employ this method of sales and buy brand name goods at lower prices for high volume of stock or orders and then place their own brand name on them. So you may see Eroski brand name fabric softeners or Comprabo milk cartons.

Truth is relative these days. Some think that telling the truth means hiding the real cost of goods. This happens especially in the sector of fabrics or textile industry. Most articles of clothing are produced in foreign factories at low costs and imported.

This normally gives the manufacturer the right to raise prices and tack on an extra percentage for the cost of shipping, distribution, etc. In the end, ironically, those that make the most money, are middlemen involved in transactions, not the manufacturer.

Finally, there is a lot to be said for the illegal activity that takes place on European television networks that invite viewers to participate in nocturnal contests. These are the programs that invite you to calculate the number of euros you see on the screen or the others that ask you to find the picture that is different from all the rest. They promise immediate and disproportionate compensation for guessing the right combination or coming up with the correct answer. Do not be fooled! These contests normally invite you to call in, and if you answer the original question correctly, they say that "now you are closer to your objective", and normally continue with more questions to answer correctly. In the end, these contests are just another way to increase the charges on your phone bill. They say that these contests are not illegal because they give price information (which is true). What they do not tell you about are the stalling tactics they use to get you to spend more money. Consumers beware!

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