

## **RT Mart International Ltd.**

1399<sup>th</sup> Commissioners' Meeting (2018)

Case: RT Mart violated the Fair Trade Law for posting false advertisements on its exclusive offer allowing members to pay NT\$1 for an additional purchase

Keyword(s): Additional purchase, restriction, false advertising

Reference: Fair Trade Commission Decision of August 29, 2018 (the 1399<sup>th</sup> Commissioners' Meeting); Disposition Kung Ch'u Tzu No. 107068

Industry: Other Retail Sale in Non-specialized Stores (4719)

Relevant Law(s): Article 21(1) of the Fair Trade Law

### Summary:

1. RT Mart International Ltd. (hereinafter referred to as RT Mart) made a special offer to allow its members to pay NT\$1 for an additional purchase. In the advertising catalog (hereinafter referred to as the advertisement), it was indicated that "Special offer 3: Mother's day grand prize for early birds who enjoy baking – spending NT\$3,888 at RT Mart to enjoy purchasing an electronic kitchen scale for NT\$1" and a picture of the electronic kitchen scale was also posted in the advertisement. However, the product consumers got was different from the item shown in the picture while RT Mart also failed to disclose the restriction on the additional purchase activity. False advertising was therefore involved.
2. Findings of the FTC after investigation:
  - (1) The advertisement was produced by a design service in accordance with the products and gift list provided by RT Mart. Then the draft was approved by RT Mart before the final catalog was printed out. However, the design service did not receive related pictures from RT Mart during its production process and decided to use pictures it acquired from online searches to make the first draft but did not realize the picture for the product offered for the additional purchase was not the real item. At the same time, RT Mart was unaware of the error when reviewing the draft and this resulted in the use of the wrong picture in the catalog was not corrected.
  - (2) Another finding revealed that there was a restriction on the eligibility for shopping over NT\$3,888 to make an additional purchase. Members of RT Mart had to buy only electrical kitchen appliances or baking products worthy more than NT\$3,888 in total, not just any products. It was the result of negligence occurring during the internal operation of RT Mart. However, when the company realized the a mistake had been made, it only sent an email to notify each store to put up notices to announce the restriction before the offer began without changing the content of the catalog at the same time.
3. Grounds for disposition:
  - (1) RT Mart held the activity to stimulate purchases by offering its members the chance to pay NT\$1 for a specific additional product. The restriction and the value of the product to be purchased additionally were the two factors to be considered when consumers decided whether they would make the transaction. If the difference between the value of the item offered for the additional purchase and the value of the product consumers actually acquired was big

enough to cause the public to have wrong perceptions or make wrong decisions, the content of the advertisement was a false and misleading representation.

- (2) The advertisement presented gave the public the overall impression that members of RT Mart could pay NT\$1 to purchase the electronic kitchen scale after buying products worthy more than NT\$3,888 in total. Nevertheless, RT Mart did not notice the wrong picture when reviewing the draft catalog. In consequence, instead of the more expensive kitchen scale, consumers only got a cheaper version of the electronic kitchen scale after achieving the purchase threshold. The value difference exceeded what the general public could accept. In other words, the advertisement was a false and misleading representation.
- (3) Since the advertisement indicated that RT Mart members only had to buy products worthy more than NT\$3,888 in total, it gave the impression that there was no restriction on the types of products its members had to purchase. In reality, however, consumers had to buy only electrical kitchen appliances or baking products. The company contested that it had been the result of negligence during the internal operation and each store had been notified to put up notices to announce the restriction. This way of announcing the restriction could not make consumers to find out about the restriction in the catalog or on the Internet and they learned about it only after arriving at the RT Mart store and seeing the notice. Regardless of what happened, the purpose of attracting consumers to shop at RT Mart was already achieved. Therefore, the fact of the company causing the public to have wrong perceptions or make wrong decisions suggested that RT Mart did make a false and misleading representation in violation of Article 21(1) of the Fair Trade Law.

Appendix:

RT Mart International Limited's Uniform Invoice Number: 97165560

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