

Shanghe Water Purifier Co., Ltd.

1416th Commissioners' Meeting (2018)

Case: Shanghe Water Purifiers violated the Fair Trade Law for adopting illegitimate approaches to market water purifiers

Keyword(s): Water purifier, raffle activity

Reference: Fair Trade Commission Decision of December 26, 2018 (the 1416th Commissioners' Meeting); Disposition Kung Ch'u Tzu No. 107115

Industry: Manufacture of Other Domestic Appliances (2859)

Relevant Law(s): Article 25 of the Fair Trade Law

Summary:

1. A private citizen filed a complaint with the FTC via email about Shanghe Water Purifier Co., Ltd. (hereinafter referred to as Shanghe Water Purifiers) using raffle activities to market water purifiers. The practice was deceptive and obviously unfair conduct in violation of the Fair Trade Law.
2. Findings of the FTC after investigation:

The FTC requested Shanghe Water Purifiers to come to the FTC to explain the raffle process and present their arguments. Afterwards, the FTC also verified with the stores collaborating on the raffle activities, prize winners and the water purifier supplier, and learned that Shanghe Water Purifiers had held several raffle activities between January and August 2018. The raffle tickets from the company indicated that "First round: Supplier Prize – high-quality water purifier and dispenser" and "Round 2: winners of 3C household appliance to be drawn out at the end of the activity and all prizes free of charge." However, the FTC's investigation revealed that Shanghe Water Purifiers had set the condition on the 3C prize draw, that is, whether the draw would be conducted or not depended on the number of water purifiers collected by raffle winners. But, the condition was not disclosed to the raffle participants. At the same time, Shanghe Water Purifiers also used the pretext of holding raffle activities and the need to notify winners to collect the personal information of the participants. The company also announced that winners had to pay 2,680 New Taiwan dollars (same currency applies hereinafter) to claim the water purifiers or have them installed, then the company would push water purifier accessories on the winners.
3. Grounds for disposition:
 - (1) The wording on the raffle tickets distributed by Shanghe Water Purifiers made people filled with expectations and the mentality of aleatory started to build up. However, the company did not disclose to the participants the condition that it could unilaterally decide whether the draw for 3C prizes would be conducted or not. The condition deprived the participants of the opportunity to win 3C prizes.
 - (2) When consumers shopped for purifiers, they did not only think about the water purifier cost. The expenses of filter replacement were also a consideration for consumers. In the meantime, the market price of the water purifier that Shanghe Water Purifiers told winners was far lower than the company's purchase cost.

The value claimed by the company made the participants develop wrong expectations about the quality of the purifier, and the mentality of aleatory also began to build up. Many people expressed that they found out about the cost of filter replacement only when Shanghe Water Purifiers told them after installing the water purifier and beginning to promote the filter replacement package. As there was no way for them to compare filter prices, these consumers were caught in information asymmetry.

- (3) Shanghe Water Purifiers used the pretext of holding raffle activities to attract people with no intention to make purchases and took advantage of their mentality of feeling happy to be lucky to obtain their personal information but concealed important transaction information about the activity and also lied about the value of the water purifier. As a consequence, the participants were caught in information asymmetry and misled to make decisions to purchase water purifier accessories. The overall marketing approach was deceptive and obviously unfair conduct able to affect trading order in violation of Article 21 of the Fair Trade Law. Therefore, the FTC cited the first section of Article 42 of the same Law and imposed an administrative fine of NT\$150,000 on the company.

Appendix:

Shanghe Water Purifier Co., Ltd.' Uniform Invoice Number: 53458245

Summarized by Fu, Hong-We; Supervised by: Wu, Lieh-Ling