

Qianhe Enterprise Co.

1566th Commissioners' Meeting (2021)

Case: Qianhe Enterprise Co. violated the Fair Trade Law for using the pretext of holding raffles to sell water purifiers

Keyword(s): Water purifier, raffle, product marketing

Reference: Fair Trade Commission Decision of October 20 (the 1566th Commissioners' Meeting); Disposition Kung Ch'u Tzu No.110073

Industry: Retail Sale of Electrical Household Appliances in Specialized Stores (4741)

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

Summary:

1. The FTC received complaints from 7 private citizens stating that they attended raffles held by the general agent of "Noontime Water" and later were informed of winning a water purifier that was worth 28,800 New Taiwan dollars (same currency applies hereinafter) on the market, but they could pay 2,880 dollars to get the prize. Apparently, the company exaggerated the product value to trick them into feeling lucky. The use of holding raffles as a pretext to sell products was in violation of Article 25 of the Fair Trade Law.
2. Findings of the FTC after investigation:
 - (1) Between 2019 and 2020, Qianhe Enterprise Co. (the general agent of "Noontime Water") cooperated with different stores and held 7 raffle activities and there were 73 winners altogether. Each raffle ticket had two chances to win a prize. The first was the Supplier Sponsorship Prize of "Negative Hydrogen Anti-oxidation Water Dispenser," the market price of which was supposed to be NT\$28,800 and 30 machines were available. The second was free-of-charge 3C household appliances, vouchers and gift certificates to be drawn at the end of the activity. All the people attending the raffle activity were full of expectations.
 - (2) According to the questionnaire survey the FTC conducted on the winners, most of them said they would not have purchased the water purifier if they had not received the prize-winning notification.
3. Grounds for disposition:

Most people who attended the raffles did not have the intention to purchase a water purifier. Qianhe Enterprise Co. bought each water

purifier for 3,500 dollars or 3,850 dollars but claimed the market price was 28,800 dollars. Previously, the company had sold the water purifier for 22,400 dollars one time and 20,900 dollars another time. The company told the prize winners that they could get the water purifier for 2,880 dollars. Under information asymmetry, the winners were misled to have the wrong idea about the value of the machine and made the purchase, as well as had it installed with wrong expectations about the quality of the water purifier. The overall marketing approach was deceptive and obviously unfair conduct able to affect trading order in violation of Article 25 of the Fair Trade Law. In addition to ordering Qianhe Enterprise Co. to cease its unlawful act, the FTC also imposed on it an administrative fine of 100,000 dollars.

Appendix:

Qianhe Enterprise Co.'s Uniform Invoice Number: 38859657

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