

Yun Ni Co., Ltd.

1605th Commissioners' Meeting (2022)

Case: Yun Ni Co., Ltd. violated the Fair Trade Law by adopting inappropriate means to market beauty products

Keyword(s): Beauty lessons, information asymmetry

Reference: Fair Trade Commission Decision of June 29, 2022 (the 1605th Commissioner's Meeting); Disposition Kung Ch'u Tzu No. 111056

Industry: Other Beauty Treatment (9622)

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

Summary:

1. In recent years, different local governments received complaints about being forced to spend too much money on the products of Yun Ni Co., Ltd. (Ai Ni Ya Cosmetics). The complaints were mostly about consumers getting intercepted and taken in the store by clerks using the pretext of filling out questionnaires. They were then pushed to buy products and experience beauty services. While they were receiving the service, beauty lessons were pushed upon them. As a result, they signed the agreement to make purchases in haste out of embarrassment. Subsequently, the clerks used the excuse of inspecting the beauty products they purchased and urged them to open all the products. Later, when these consumers wanted to cancel the agreement and get their money back, the answer they got was the beauty lessons were given for free because of the beauty products they bought. Now the products had all been opened, the clerks either refused to give the refund or would only return a rather small amount. The consumers thought Yun Ni Co., Ltd. had violated the Fair Trade Law. Therefore, they provided the information and requested the FTC to launch an investigation.
2. Findings of the FTC after investigation:
The FTC requested Yun Ni Co., Ltd. and related personnel to present their statements in writing and also give their explanations at the FTC. At the same time, the FTC also asked scholars, specialists and competitors for their opinions.
3. Grounds for disposition:
The FTC's investigation revealed that Yun Ni Co., Ltd., a business

selling beauty products and providing facial treatment services, had more than 150 branches and its annual sales achieved hundreds of millions of NT dollars. The company had over ten thousand customers and its market share rather considerable. In the past three years, more than seven hundred people had filed complaints with different local governments. The incident had an effect upon unspecific trading counterparts and the overall sales practice was deceptive and obviously unfair conduct able to affect trading order in violation of Article 25 of the Fair Trade Law. Its marketing approaches are as follows:

- (1) Once consumers step in the store, the clerks use the excuse of giving a free facial treatment to keep them in. Then when the consumers are receiving treatments and unable to leave, the clerks continue to harass them and force them to make transaction decisions.
- (2) The purchase agreement only indicates beauty products as the transaction objects; facial services are not included (provided by the store free of charge and the customer does not have to pay). However, during the selling process, the clerks repeatedly emphasize and compare facial treatment intervals and frequencies and the skin problems to be solved after continuous facial treatments when different amounts of money are paid without mentioning product items and prices. They also stress that the average price per facial treatment will be cheaper than the price of competitors and entice consumers to pay. Afterwards, they take out the purchase agreement and ask consumers to sign it. Apparently, the clerks intentionally mislead consumers to believe that facial treatments are part of the purchase to affect their judgment.
- (3) The clerks specifically emphasize that the beauty products are sold at preferential prices, cheaper than the suggested prices. However, the FTC's investigation showed the so-called promotional prices are actually the regular prices. There is actually no discount. However, the practice is enough to mislead consumers to believe they get a good deal.
- (4) The clerks claim that after paying a certain amount of money, the customer can receive facial treatments for six months to two years in order to attract people to make purchases. However, they do not disclose important trading information such as purchasing some of the products is not enough to get all the facial treatments and consumers will have to spend tens of thousands to make up the difference when getting facial services. In other words, consumers are misled to believe that they won't have to spend any more money after making one payment and they have the wrong expectation of getting facial treatments for a certain period or a number of times as the clerks put it.

- (5) The purchase agreement indicates that all unopened products can be returned, but before signing the agreement the clerks use the pretext of inspecting the products and open all of them to prevent consumers from exercising the right to return products. Meanwhile, Yun Ni Co., Ltd. takes advantage of the information asymmetry that the consumers are unaware that the actual transaction prices did not include any discount and puts in the agreement an unfair stipulation that the refund will be calculated according to the suggested prices and products sold at preferential prices can not be returned, to mislead consumers to think the products can not be returned and give up the effort to get refunded. As a result, Yun Ni Co., Ltd. profits when a government agency intervenes to mediate while consumers will misbelieve that they get a better deal in the settlement.
- (6) After assessing the motive and purpose behind the unlawful act of Yun Ni Co., Ltd., the inappropriate profit expected, the illegal conducted lasting at least three years, the large number of victims, the annual sales of the company's Ai Ni Ya Group achieving nearly NT\$1 billion (the gross profit standing at NT\$0.84 billion in 2019 and 2020), the number of branches being more than 150, the number of customers totaling around 18,000 in the three recent years, and the company providing incomplete information throughout the investigation, the FTC cited the first section of Article 42 and imposed an administrative fine of NT\$25 million on Yun Ni Co., Ltd.

Appendix:

Yun Ni Co., Ltd.'s Uniform Invoice Number: 23265636

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