

Analysis on the Marketing Strategies of Distribution Enterprise and Consumer's Demands under Competition Law Perspectives

Abstracts

Keywords: Distribution Enterprise, Additional Fees, Vertical Restriction, Convenience Products

Business distribution activity is a critical type of services in Taiwan, especially wholesale and retail enterprises are main industries which shall directly facing customers. The term "distribution enterprises" as used in Fair Trade Guidelines refer hypermarkets, to convenience stores, supermarkets, department stores, consumer cooperatives, and all other enterprises engaged in general merchandise delivery and selling business. By rapidly changing technologies in current society, distribution industries provide brand new strategies in order to satisfy customers' demands as well as preferences. However, the more distribution industry pursues the greatest benefit for good, the more competition occurs between all of them.

Based on the purposes of maintaining trading order, protecting consumers' interests, ensuring free and fair competition, and promoting economic stability and prosperity under Fair Trade Law, the Article 1 provides that "This Act is enacted for the purposes of maintaining trading order, protecting consumers' interests, ensuring free and fair competition, and promoting economic stability and prosperity." Beside, in the past decade, Business distribution cases were violated Article 25 "In addition to what is provided for in this Act, no enterprise shall otherwise have any deceptive or obviously unfair conduct that is able to affect trading order", which the distribution enterprises engaged with the exception of amounts payable for goods by the distribution enterprises used the fees charged to suppliers by distribution enterprises, or to deductions made from amounts payable for goods, or to all kinds of fees demanded

of suppliers by distribution enterprises by other means.

Fair Trade Commission adopted “Fair Trade Commission Disposal Directions (Guidelines) on Additional Fees Charged By Distribution Enterprises”. The Guidelines are specially adopted to promote full and accurate disclosure of important dealing information related to the department stores and outlet stores and fair and reasonable business activities, in order to protect trading order as well as ensure free and fair competition.

In addition, the above guideline provided that under any of the following circumstances, a distribution enterprise shall be deemed to be improperly charging additional fees: (1) the fees charged are not directly related to promoting the sale of the goods; (2) the fees charged are contributions to equipment, research and development, or promotional activities, and while of benefit to the supplier in promoting sale of goods or reducing operating costs, the amount of the fees exceeds in value the tangible benefit that the supplier may reasonably expect to derive from paying such contributions; (3) the fees charged are for the sole purpose of achieving target figures or other accounting measures at the end of a fiscal year; (4) when, despite the supplier being under no obligation, a reduction in the purchase price is demanded by the distributor for already-delivered goods; or (5) fees are charged in a manner contrary to normal trading principles or commercial ethics. Also, regarding the issue in determining whether a distribution enterprise holds an advantageous position in the market, the following factors must be considered: the comparative scales and market shares of the distribution enterprise and supplier; the supplier's degree of dependence on the distribution enterprise; the supplier's ability to change its sales channel; and supply of and demand for the goods. Accordingly, if a distribution enterprise having an advantageous market position charges suppliers additional fees in a manner not in accordance with Points 5 and 6 of the Guidelines or is found to be in violation of Point 7 such that the distribution enterprise market order is impacted, the distribution enterprise shall possibly deemed to be in violation of Article 20(v) or Article 25 of the

Fair Trade Act. Transactions that are not mentioned in the Guidelines shall be considered with reference to the contexts of the individual case in accordance with provisions of the Fair Trade Law.

The research methodology contains quality and quantity analysis. For surveying the interactions and behavior between suppliers and places, and the strategy of suppliers and places. We interview 9 practitioners who are experienced in suppliers or place. For understanding the purchasing behavior of customers, we design five kinds of questionnaires to survey the purchasing behavior of infant formula, bottle tea, frozen dumplings, toilet paper and toothpaste. The questionnaires were designed by the concepts of SSNIP (Small but Significant Non-transitory Increase in Price). We ask people in which place he's used to purchase certain product. And what factors make them to choose the place. Then we ask them that when the price of certain product are rising 5% or 10% in all stores of certain place (supermarkets, hypermalls and convenient stores), whether they change to other kinds of places to purchase. If they choose to stay in the same place, we ask them why. If they choose to change the places to buy, we ask them which place they choose. We also survey if they ever buy the product of retail brand.

The questionnaires contain field questionnaires and telephone questionnaires. We collect the field questionnaires near the supermarkets, hypermalls and convenient stores. The telephone survey were conducted by Elections Research Center, National Taipei University. In the infant formula survey, we collect 164 samples. There are 87 responds of field questionnaires and 77 responds of telephone questionnaires. In the toilet paper survey, we collect 181 samples. There are 105 responds of field questionnaires and 76 responds of telephone questionnaires. In the toothpaste survey, we collect 195 samples. There are 104 responds of field questionnaires and 91 responds of telephone questionnaires. In the bottle tea survey, we collect 186 samples. There are 104 responds of field questionnaires and 82 responds of telephone questionnaires. In the frozen dumplings survey, we collect 187 samples. There are 106

responds of field questionnaires and 81 responds of telephone questionnaires.

This research project aims at the following topics: (1) Analysis of the market trend and current competition circumstance as Enterprises (retail channel of livelihood productions, including discount store, convenience stores, and supermarkets) ; (2) Discussion of sales channel and marketing strategy of certain selected livelihood productions; (3) Exploring the preferences of retail channel of certain livelihood productions and their purchasing behaviors; (4) Further analysis FTC's prior cases and provides recommendations for future legal amendments.