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The Prevalence of Implicit Consumption in China

Yueguo Bian[1,a,*]

[1]*The University of Melbourne, Victoria, Australia, VIC 3010*
a. bianyueguo@126.com
**corresponding author*

Abstract: In China, implicit consumption usually occurs in recent years. It has greatly troubled many consumers' daily lives, but many people don't know how to change this problem. In this research, the author analyzed the causes, laws violated, and solutions of implicit consumption in the Chinese economic market. First of all, the author listed some examples of implicit consumption in the catering market and described the current situation, which is relatively common. Then, a study was designed through the difference-in-difference method to explore people's real attitudes and thoughts toward implicit consumption. By dividing random people and people with legal knowledge into two groups, three distinct points of view emerged, and the majority of them did not choose to defend their rights Through the results of this study, the author deeply analyzed the causes of implicit consumption, mainly from the perspective of customers' personal factors and legal policies. The lack of legal knowledge among people and the lack of strict restrictions in Chinese laws on implicit consumption have both influenced its prevalence. In addition, the author also indicated the laws violated by implicit consumption, including the right to know, the right to independent choice, and the law of clearly marking prices. Finally, the author put forward some solutions to solve implicit consumption. The problem of rampant implicit consumption in China can be solved by popularizing legal knowledge among consumers, strengthening market supervision by the regulatory department, and formulating clear legal provisions to limit implicit consumption.

Keywords: Chinese law, Implicit consumption, consumer, legal rights

1. Introduction

Nowadays, implicit consumption is a new marketing strategy adopted by many Chinese businesses. Many businesses mislead customers through unclear commodity text information or other subtle means, forcing customers to buy things they don't actually need. As it has just emerged in the market in recent years, it has some unresolved legal loopholes, so these loopholes allow some businesses to take advantage of it. There are few types of research on implicit consumption now, and most of them are confined only to the analysis of how businesses use implicit consumption to cheat customers. However, there's not very much detailed research on the reasons for the increasing popularity of implicit consumption and how to solve this problem. Therefore, in this paper, the author not only analyzed how implicit consumption is carried out, but also made a specific study on its causes and solutions. First, the author adopted the difference-in-difference method to conduct a survey on how people think about implicit consumption. This paper mainly divided the research

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objects into two groups to study whether the reasons for the increasing popularity of implicit consumption are related to people's attitudes. Then, the paper judged the two laws violated by implicit consumption through the provisions in the current Consumer Protection Law and the Price Law. Finally, this paper proposed solutions to implicit consumption from the perspectives of people, the government, and the legal provisions. This research can help consumers have a deeper understanding of implicit consumption so that they will not be easily deceived. In addition, the suggestions put forward in this paper will also help the government formulate and modify the details of the consumption law.

2. The Current Situation of Implicit Consumption

Implicit consumption is one of the means that many businesses use to earn profits in the economic market, especially in the catering market. If consumers do not pay close attention, they may never know that they have been deducted some additional fees. Businesses usually confuse customers by blurring the text information of the goods or making consumers think the goods are free [1]. After the customers use the products, they are obliged to pay for them. Although the amount of implicit consumption is generally not large, it infringes on the legitimate rights and interests of consumers, so it should not be ignored.

Here is an example of implicit consumption in the catering industry. In Jinan, China, there used to be a well-known restaurant that initiated public discussion due to implicit consumption [2]. According to the description of the consumers who ate in this shop, this shop gave everyone a cup of tea before they ordered. These consumers understood it as the "warm hospitality" of the restaurant and were deeply moved. However, when they checked out, they found that there was an extra 30 CNY needed to be charged for the tea. Since the customer didn’t ask for ordering the tea, and the tea was directly provided by the merchant, they naturally thought that the tea was free of charge. The behavior that the merchants didn’t explain in advance made customers feel very unhappy, but they still had to pay for the tea they had drunk. The implicit consumption of the catering industry not only has the problem of charging tea fees, but also has a series of extra charging that induce customers to consume without precaution, such as charging tableware fees, seat fees, sauce fees, etc. More and more stores don’t take the initiative to inform customers in advance of the need to charge, and directly charge into the bill when checking out.

In fact, the merchants themselves actually know that implicit consumption is illegal, so they will pacify others when they encounter possible penalties. Ms. Cao as a consumer told Legal News that she had always thought it was normal to charge extra fees, until she went out to dinner with her boyfriend and saw the actions he took [3]. Her boyfriend said to the waiter after seeing that the seat fee was included in the bill: "You didn't tell me in advance that I should charge the meat fee. This is illegal, and if you want to charge, I will complain to the relevant department." Then, the restaurant immediately waived the extra charge after hearing what he said. Ms. Cao said that she will be fine if she still has to pay the fee because it was just 4 CNY, but this experience made her realize that it’s really important to know the law. This incident reflects that businesses do know that implicit charges are improper, and they are afraid of the negative impact caused by customer complaints. Businesses took advantage of consumers' ignorance of the law to exploit legal loopholes. In order to prevent customers from leaving evidence of illegal charges, some businesses even secretly tamper with the name of the charged items, so as to try to muddle through when customers are not paying attention, such as changing the seat fee to the service fee [4]. Many customers say that this kind of thing happens frequently, but they feel very helpless because they don’t know what to do, so they have gradually become accustomed to implicit consumption.

Implicit consumption is widespread not only in the catering industry, but also in many other industries such as beauty services and salons. It’s difficult for consumers to completely prevent

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these extra charges, and they will be easily pulled into the trap of implicit consumption by businesses if they are not careful enough. Due to the popularization of this phenomenon, consumers seem to be getting roughly used to it. Most people choose to accept when they encounter implicit consumption, but this has made many businesses more and more rampant. Even if some customers express their dissatisfaction, they usually stop defending their rights when the merchant cancels the extra charge for them. Meanwhile, people feel that the process of reporting to the consumer association is too troublesome, so they usually no longer embarrass the businesses.

3. Reasons for Implicit Consumption

Many factors affected the prevalence of implicit consumption, mainly including people's attitudes and loopholes in Chinese law. Firstly, thia paper explored the attitude of consumers towards implicit consumption because it has played a significant role. In order to find out people's actual views, the author used the difference-in-difference model to design a survey to study the measures taken by people in the face of implicit consumption. The difference-in-difference model originated in the 1950s and is used in the field of econometrics [5]. Scientists usually use this model to quantitatively evaluate the effect of some public policies or projects. Creating a difference-in-difference model usually requires two sets of data, including a set of data that remains unchanged and a set of data that is affected by external factors [6]. People can analyze the impact of the policy by observing the difference between the two groups of data. Therefore, the author divided customers into two groups: One is random customers; the other group is customers with legal knowledge. A questionnaire survey was conducted on 50 random consumers and 50 consumers with legal knowledge on the WeChat applet:

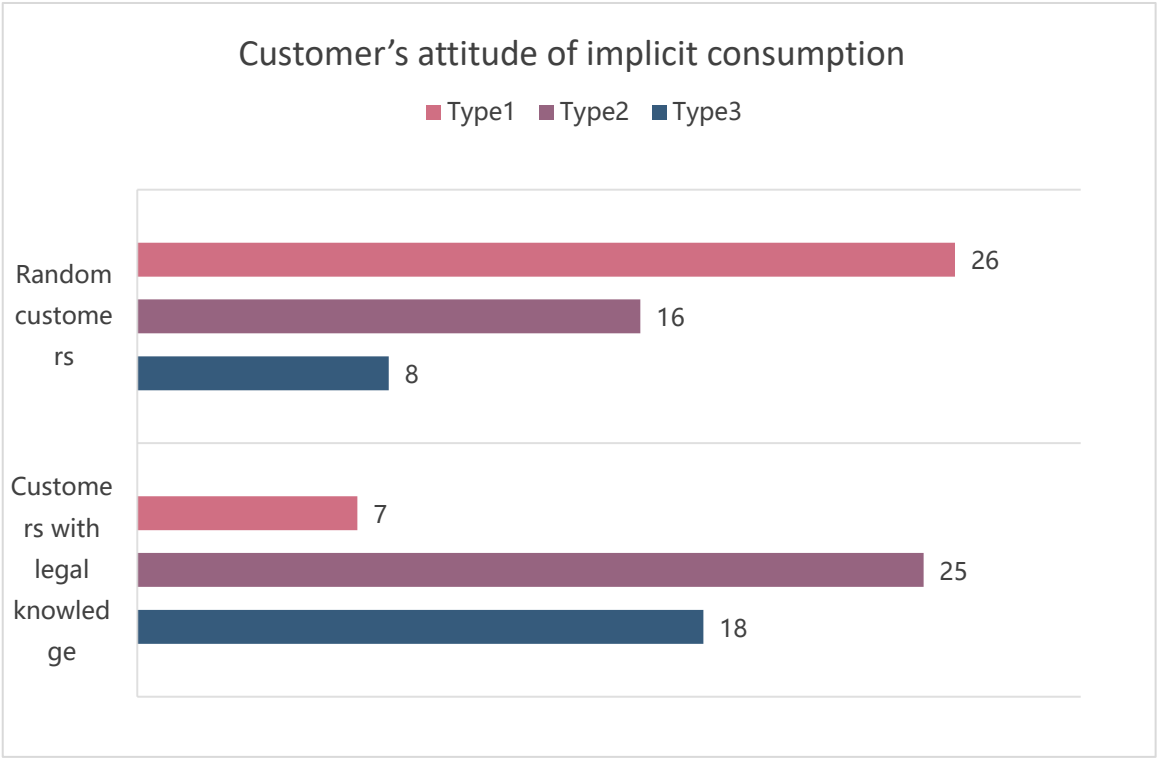


Figure 1: Customer’s attitude of implicit consumption.

The above is a bar chart based on the data obtained from the interview with 100 customers, which shows that their ideas are mainly divided into three perspectives:

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Type 1: They are used to this situation and think it is normal. They will pay for implicit consumption.

Type 2: They know it's illegal. But, due to the complexity and difficulty of the process of safeguarding their rights, they found it too troublesome and gave up defending their rights, so they still pay for implicit consumption.

Type 3: They insist on safeguarding their rights and refuse to pay for implicit consumption, no matter how troublesome the process is.

It can be seen from the research results that random consumers think that implicit consumption is a common phenomenon most, and consumers with legal knowledge think that the process of rights protection is complex and difficult, so they give up most. Although the reasons for the two results are different, most of them still chose to accept implicit consumption. For random consumers, they mostly don't have a deep understanding of the law and don't know that implicit consumption is actually against the law, so businesses successfully use their knowledge blind spot to charge implicit fees. For consumers who have the legal knowledge, the process of protecting their rights is too complex. Even if they apply for rights protection, they still may not succeed, so they can only let the business deprive them of their rights. Therefore, the less positive attitude that consumers want to defend their rights, the more likely it will lead to a "vicious circle" in which implicit consumption prevails. When consumers encounter invisible consumption, they mostly choose to accept it and seldom argue with businesses, so it virtually promotes the prevalence of invisible consumption.

On the other hand, why do these law-knowledgeable customers think that even if they apply for rights protection, they may not succeed? From the legal point of view, if people want to identify the business as a crime of fraud, then the amount of fraud needs to be large. According to Article 1 of the Interpretation of Several Issues Concerning the Specific Application of Laws in China's Criminal Cases of Fraud, it's stipulated that only those with more than 3000 CNY can be classified as fraud crimes [7]. If the amount of money is not big enough, it can not be convicted of the crime of fraud. The amount of implicit consumption is usually quite small, so it can only be determined that the business has committed fraud, but it doesn't constitute a crime, so it's difficult to impose practical sanctions on the business through the law. Therefore, even if consumers want to protect their rights, they will fail properly because the amount of fraud does not meet the requirements for filing. The provisions on implicit consumption in the Consumer Protection Law are not detailed enough, so it allows many businesses to exploit legal loopholes.

4. Rights Violated by Implicit Consumption

Implicit consumption violates three rules of law, including the Consumer Protection Law and the Price Law. Firstly, according to Article 8 of the Consumer Protection Law, implicit consumption is suspected of violating consumers' right to know [8]. Consumers should have the right to know the true information about the goods and the services they received. The implicit goods didn't indicate their charging standards and whether the goods need to be charged, so it will easily mislead consumers to think that the goods are included in the basic consumption or service fees, then there's no need to pay additional charges. Whether the business is intentional or unintentional, it deprives consumers of the right to know. Secondly, according to Article 9 of the Law on the Protection of Consumers' Rights, implicit consumption is suspected of infringing consumers' right to make independent choices [9]. Consumers have the right to choose their own goods or services based on their needs, intentions and interests. Most consumers don't know the actual situation when they encounter invisible consumption, because the businesses didn't give customers the opportunity to make independent choices, so it doesn't comply with consumers' subjective will and violates consumers' right to make independent choices. Finally, implicit consumption also violates the

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regulation of clearly marking prices in Article 13 of the Price Law [10]. The merchants should clearly mark the price of the products and shouldn't charge any unspecified fees when selling goods. Therefore, the business didn't perform the obligation to inform, prompt and clearly mark the price in advance in the implicit consumption, which seriously violated the consumer's right.

5. Methods to Avoid Implicit Consumption

Hidden consumption affects many aspects of a consumer's daily life, so it needs to explore solutions from multiple perspectives. First of all, the government needs to put forward a clear legal restriction system on implicit consumption. Any business should inform consumers in advance of the products or services that need to be charged, clearly mark the price, and can not force people to buy. The stability of the economic market needs detailed legal constraints, so it's very important to improve the loopholes in the law. Secondly, it's necessary to popularize legal knowledge among consumers, because if consumers don't know enough about the legal knowledge of implicit consumption, it will give businesses the opportunity to fraud. It can be publicized through school teaching, books, media and any other effective way to help people have a general study of the law, so as to ensure that they know how to protect their rights when they have encountered implicit consumption. People must be aware that if they come across an infringement, they can contact the appropriate protection and report it to the regulatory authority as soon as possible. At the same time, consumers should also keep consumption records and receipts on time, and gather infringement evidence to ensure smooth rights protection. Finally, the regulatory authorities should strengthen the supervision of implicit consumption. By increasing penalties for implicit consumption and encouraging people to report violations, we can make unscrupulous merchants incapable of escaping anymore.

6. Conclusion

In general, this paper studies the current situation, causes and solutions of implicit consumption in China in detail. People's attitude towards implicit consumption is one of the most important reasons for its popularity. Through the investigation designed in this paper, the result shows that many consumers lack legal knowledge. Because many consumers do not know that implicit consumption is illegal, many businesses exploit this loophole, which leads to implicit consumption becoming more and more serious. In fact, implicit consumption not only violates the right to know and the right to independent choice in the Consumer Rights Protection Law, but also violates the provisions of the Price Law on clearly marking prices. However, Chinese laws do not have specific restrictions on implicit consumption, so many customers find it difficult to actually safeguard their rights. Therefore, this paper proposes that if people want to solve the problem of implicit consumption, the government needs to strengthen the provisions of the consumption law. Meanwhile, it is critical for regulatory authorities to strengthen market supervision and broaden people's legal knowledge in order to effectively limit implicit consumption. This paper did not propose a specific plan on how to modify the loopholes in Chinese laws. It needs to conduct a more specific study in the future.

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