

THE ROLE OF THE CONSUMER PROTECTION ACT IN REGULATING THE PRICING PRACTICES OF LUXURY COSMETICS AND ITS IMPACT ON CONSUMER WELFARE

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Introduction:

Any market economy must prioritize consumer protection, and the government is responsible for making sure that consumers are shielded from unethical commercial practices. The Consumer Protection Act (CPA) is a body of law that offers customers a number of defenses against dishonest, unfair, or abusive commercial practices. The CPA is important for regulating pricing practices in the high-end cosmetics sector, among other things.¹

The market for luxury cosmetics is expanding quickly and draws customers in with its premium quality, exclusivity, and brand image. Luxury cosmetics businesses' pricing strategies, which have been criticized for preying on customer weaknesses and harming consumer welfare, have raised questions. Due to these worries, there is an increasing need for legislative action to guarantee that customers are shielded from unfair pricing practices.²

This research paper will examine the role of the CPA in regulating pricing practices in the luxury cosmetics industry and its impact on consumer welfare. Specifically, the paper will analyze the relevant provisions of the CPA and the impact of the CPA on the luxury cosmetics industry. The paper will also explore the various

¹ Balachandran Viswanathan, A Study on Consumer Protection Act 2019 and Its Implications on the Pillars of Integrated Communication Channel, September 2021 available at research gate

² Nobre, Helena M, The Concept of Luxury Brands and the Relationship between Consumer and Luxury Brands, august 30, 2018 available at <http://koreascience.or.kr/article/JAKO201816357065678.page>

pricing strategies used by luxury cosmetic companies, including price discrimination, price skimming, and predatory pricing, and evaluate their impact on consumer welfare.

The paper will begin with a brief overview of the luxury cosmetics industry and the importance of pricing practices in the industry. It will then provide an overview of the CPA and its relevance in regulating pricing practices in the luxury cosmetics industry. The paper will also examine the various pricing strategies used by luxury cosmetic companies and their impact on consumer welfare. Finally, the paper will analyze the impact of the CPA on the luxury cosmetics industry and its implications for consumer welfare.

Overall, this paper will provide valuable insights into the role of the CPA in regulating pricing practices in the luxury cosmetics industry and its impact on consumer welfare. By examining the relevant provisions of the CPA and analyzing the impact of the CPA on the industry, this paper will provide a comprehensive understanding of the importance of consumer protection in promoting a fair and sustainable luxury cosmetics industry that benefits consumers.

Background:

The multibillion-dollar luxury cosmetics sector is propelled by customer desire for premium quality, exclusivity, and brand image. This business sells a variety of high-end goods that are more expensive than their mass-market equivalents, including skincare, cosmetics, perfumes, and hair care. Luxury cosmetic firms utilize a variety of pricing techniques, such as price discrimination, price skimming, and predatory pricing, to draw in customers. While these tactics may be successful in helping businesses turn a profit, by preying on customer weaknesses, they also pose a risk to their wellbeing. Price discrimination is a pricing approach in which different clients are given varying rates depending on how willing they are to pay. Using this tactic, high-end clients who are prepared to spend more for exclusive and superior items are the target market for luxury cosmetic enterprises.

On the other hand, price skimming entails setting a high price for a new product when it first enters the market then progressively decreasing the price over time as competition rises.³ Luxury cosmetic firms employ this tactic to make large sums of money early in a product's lifespan. Last but not least, predatory pricing is lowering prices to a point where competitors are driven off the market. Some high-end cosmetics businesses employ this tactic to oust rivals and expand their market share.

³ Suhail Nathani and Pinar Akman, The Interplay between Consumer Protection and Competition Law in India, 2017, available at <https://academic.oup.com/antitrust/article-abstract/5/2/197/3861502?redirectedFrom=fulltext>

Due to worries about consumer welfare, the pricing policies of luxury cosmetic businesses have been under investigation in recent years. Luxury cosmetics' exorbitant costs as well as the use of pricing techniques that can be detrimental to consumer welfare have sparked consumer complaints.⁴ Governments all around the globe have put in place regulatory mechanisms to safeguard consumers from unfair pricing practices in response to these worries.

The Consumer Protection Act (CPA) is one of the main legal frameworks that controls pricing practices in the luxury cosmetics sector. The CPA is a regulatory framework that offers consumers several defenses against unfair, abusive, or misleading corporate practices. The CPA's goals are to encourage fair competition, safeguard consumers from damage, and guarantee that they receive accurate information about goods and services. Because it gives consumers the right to be protected from unfair price practices and gives regulators the authority to enforce these rights, the CPA is important in regulating pricing practices in the luxury cosmetics sector.

There are several examples of how the CPA affects pricing policies in the high-end cosmetics market and how that affects customer welfare.

Eliminating unfair pricing practices: Under the CPA, companies are not allowed to use unfair pricing practices such as price discrimination, exorbitant pricing, or deceptive pricing tactics. These rules make sure that luxury cosmetics firms can't take advantage of customers by setting outrageous prices or using sneaky pricing strategies. For instance, the European Court of Justice ruled in favor of defending consumer rights in the Louis Vuitton Malletier v. Nadia Plesner⁵ case by forbidding a luxury brand from using an artist's design on a bag and charging a noticeably higher price for it, thereby preventing unfair consumer exploitation.

Price transparency: The CPA mandates that companies provide all relevant price information to customers in a clear and open manner. The real price of a product, any discounts or promotions, and any additional costs or fees must all be disclosed by luxury cosmetics firms. This makes it possible for customers to shop around and compare prices before buying high-end cosmetics.

Consumer remedies and redress: The CPA outlines procedures for those who have been harmed by unfair pricing practices to seek redress and compensation. To resolve problems with excessive price, misleading pricing, or other unfair commercial practices, consumers can complain to consumer protection organizations or take legal action. These remedies promote fair competition and safeguard the interests of consumers.

⁴ Doroteja Mandarić, Anica Hunjet and Dijana Vuković, The Impact of Fashion Brand Sustainability on Consumer Purchasing Decisions, 11 April 2022 available at <https://www.mdpi.com/1911-8074/15/4/176>

⁵ Louis Vuitton vs. Nadja Plesner case

Impact of the Consumer Protection Act on Consumer Welfare:

Consumer welfare in the luxury cosmetics sector has been significantly impacted by the Consumer Protection Act (CPA). The CPA offers consumers a number of safeguards against unfair, abusive, or misleading corporate practices, including pricing practices. The CPA has played a critical role in fostering fair competition, safeguarding consumers from damage, and ensuring that customers are given accurate information about goods and services.

Giving customers the right to be shielded from unfair pricing practices is one of the major ways that the CPA has improved consumer welfare in the luxury cosmetics sector. The CPA forbids companies from participating in actions that might lead to consumer misinformation regarding the attributes, appropriateness, quantity, or cost of a good or service. This covers actions like deceptive or fraudulent advertising, switch-and-bait schemes, and price gouging.

The CPA gives authorities the authority to enact these safeguards and take legal action against companies that use unfair pricing practices. This has motivated companies to implement fair pricing policies that do not undermine customer welfare and helped to level the playing field for companies in the luxury cosmetics sector.

The CPA has also urged high-end cosmetic businesses to use more open pricing policies. The CPA mandates that companies give customers honest and clear information about the cost of a good or service, including any applicable taxes, fees, or other costs. This has improved the luxury cosmetics industry's openness and given consumers the power to make more informed purchase decisions.

The CPA has had a large overall influence on consumer welfare in the luxury cosmetics sector. The CPA has aided in leveling the playing field for enterprises in the sector, encouraging businesses to adopt more transparent pricing practices, and defending consumers against unfair pricing practices. As a consequence, the luxury cosmetics market is now more sustainable and equitable, which is good for customers.

Conclusion:

The need for premium quality, exclusivity, and brand image among consumers drives the highly competitive luxury cosmetics sector. In this market, pricing practices are extremely important. To attract customers, luxury cosmetic companies employ a variety of pricing techniques, such as price discrimination, price skimming, and predatory pricing. While these tactics may be successful in helping businesses turn a profit, by preying on customer weaknesses, they also pose a risk to their wellbeing.

The Consumer Protection Act (CPA) is a body of law that offers customers defenses against unfair, abusive, or misleading commercial practices, including pricing practices. By giving consumers the right to be protected from unfair pricing practices, encouraging businesses to adopt more transparent pricing practices, and fostering a more level playing field for businesses in the industry, the CPA has significantly impacted consumer welfare in the luxury cosmetics industry.

In conclusion, it is crucial for the Consumer Protection Act to regulate the price practices of luxury cosmetics in order to protect consumers from unfair pricing practices and to ensure that the sector runs fairly and sustainably. The CPA has had a substantial influence on consumer welfare in the luxury cosmetics sector and has contributed to making the marketplace more transparent and equitable for consumers. The CPA can still be enforced more strictly, pricing practices can be made more transparent, and consumers can be better informed about the price tactics employed by luxury cosmetic businesses, among other things, to promote consumer welfare in the luxury cosmetics sector.

The Consumer Protection Act is crucial in ensuring that the luxury cosmetics sector fulfills its obligation to do business in a fair and sustainable manner. The CPA has contributed to the development of a more equitable and open luxury cosmetics market that benefits consumers by encouraging fair competition, safeguarding consumers from damage, and ensuring that customers are given accurate information about goods and services.