

Major Survey Findings

1. Close to or more than half of the suppliers had been requested by retailers to :
 - Bear the responsibility of damaged goods **(63.6%)**
 - Share promotion fee **(62.0%)**
 - Accept the absolute authority of the retailers to remove the goods from shelf **(61.2%)**
 - Lower the prices **(55.4%)**
 - Offer incentive rebate unreasonably **(46.3%)**
 - Accept certain services provided by the retailers **(44.6%)**

On the contrary, only **31.4%** of the suppliers managed to be able to stipulate the resale prices of the goods on the retailers.

2. More than **30%** of the suppliers has experienced restrictions from their major retailer regarding their business with other retailers :
 - Restricted to supply goods to other retailers **(38.0%)**
 - Stipulated the prices charged to other retailers **(36.4%)**
 - Accept the retailer as its exclusive retailer **(32.2%)**
3. If suppliers' major retailer was supermarket-only, an overwhelming majority of them **(65% - 84%)** had been subjected to the demands of all but one of the listed operational practices by the supermarkets. Similarly, if suppliers were dependent on a single type of retailer, a greater proportion of them **(80%-93%)** were subjected to more restrictions and demands imposed by the retailers.
4. A greater proportion **(35.1% - 54.2%)** of larger suppliers (large supplier : annual sales value of more than HK\$50,000,000 and medium supplier : annual sales value between HK\$5,000,001 – HK\$50,000,000) were subjected to more restrictions and demands in comparison with the smaller suppliers (annual sales value of less than HK\$5,000,000) **(8.9% - 20.3%)**. In other words, the presumably greater bargaining power of the larger suppliers did not provide them with an upper hand in the power and conflict balance with the retailers.
5. Although there is a negligibly small number of retailers (four) had offered incentives to encourage suppliers to act in the ways preferred by them, none of these retailers are supermarket.

Recommendations

6. Analysis of the survey results clearly showed that suppliers and retailers in Hong Kong's Retailing Industry did not operate on equal footing. However, since there are no clear regulations and guidelines to define whether the above-mentioned practices are anti-competitive, it is difficult to address the questions at this stage.
7. In order to create a level playing competitive market environment, attract more foreign investment and protect consumers' benefit, the research team would like to recommend:
 - Consider introducing a cross-sector competition law to prohibit anticompetitive behavior;
 - Establish a regulatory body to receive complaints, initiate investigation and rule on the penalty as appropriate;
 - Educate the public to understand the importance of fair competition to the future economic development of Hong Kong