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For Immediate Release

## **Competition Commission launches educational campaign on Resale Price Maintenance**

The Competition Commission (Commission) launches a citywide educational campaign (Campaign) today to enhance public awareness and understanding of resale price maintenance (RPM) and its potential harm as well as to encourage compliance through a series of advocacy initiatives.

Over the years, the Commission has received a number of enquiries and complaints relating to RPM – a common feature in any supply chain and which members of the public have clear concerns about. Among the complaints received, food and groceries, beauty and personal care, and household goods and electrical appliances are the top three sectors involved.

RPM occurs when a supplier establishes a fixed or minimum resale price to be observed by its distributors, including retailers, when they resell a product. Suppliers may impose RPM by directly setting a fixed or minimum price for resale on which no reduction or discounts can be offered; or indirectly, such as by fixing the distributors' margin or the maximum level of discount the distributor can grant from a set price level. To achieve RPM, suppliers may provide incentives to or apply pressure on distributors, using threats, intimidation, warnings, penalties, delays in or the outright suspension of the supply of products.

RPM can be initiated by a supplier or its distributors. In some cases, a distributor may pressure its supplier to implement RPM in order to limit price competition at the distributor level.

The Commission considers that RPM can have detrimental effects on competition in a number of ways. The most obvious harm is that competition on price between distributors may be substantially reduced, and this would likely result in consumers paying higher prices. Furthermore, if resale prices are fixed by the supplier, new distributors or retailers seeking to enter the market by offering discounts will be unable to do so.

In September last year, the Commission filed Hong Kong's first RPM case in the Competition Tribunal against a supplier for imposing minimum resale prices for its monosodium glutamate powder product to be charged by its two main local distributors. Through the filing of this case, in addition to the proper enforcement of the Ordinance, the Commission hopes to clarify its approach towards RPM. In this regard, the Commission considers such arrangements to be particularly problematic where:

- (a) The sole intention of the parties concerned is to restrict price competition;
- (b) There is already a lack of competition between different brands of the product concerned;

- (c) The products affected do not require “free-ridable” investment by distributors e.g. training or after-sales services<sup>1</sup>;
- (d) There are no apparent pro-competitive efficiencies stemming from the arrangement; and/or
- (e) The RPM is not part of a coordinated price campaign for a franchise distribution system or a new product entering the market.

Mr. Rasul Butt, Chief Executive Officer of the Commission, said, “While RPM agreements may sometimes lead to efficiencies that benefit consumers<sup>2</sup>, in certain cases it would give rise to significant harm to competition and adversely affect consumers in the end. The Commission would not hesitate to tackle RPM cases which seriously undermine market competition in Hong Kong, as demonstrated by our filing of the first RPM case in the Competition Tribunal last year.

Enforcement aside, we believe it is equally important to educate the business sector as well as members of the public about the subject, in particular when this conduct may not be as straightforward as other anticompetitive conduct such as bid-rigging or price-fixing. By launching an educational campaign today, we hope to reach out to stakeholders and provide them with practical guidance on how to avoid engaging in harmful RPM arrangements. Businesses are encouraged to review their practices and make changes where needed to ensure compliance with the Ordinance.”

The Commission kicks off the Campaign today with a new set of TV and radio announcements featuring veteran actor Philip Keung Ho-man, and a micro movie starring Peter Chan Charm-man and YouTuber Miss Hunny which illustrate how RPM relates to people’s daily lives. To deepen understanding of this topic, the Commission has published a brochure which outlines its approach to RPM and provides some practical tips for suppliers and distributors/retailers. A series of thematic seminars will also be conducted for businesses from different sectors.

The TV and radio announcements, micro movie and brochure are now available on a thematic webpage on the Commission’s website ([www.compcomm.hk](http://www.compcomm.hk)). Details of the upcoming seminars will be announced on the website in due course.

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<sup>1</sup> “Free-riding” refers to the scenario where a customer obtains the services provided by a distributor but then purchases the product at a lower price from another distributor.

<sup>2</sup> Such efficiencies are discussed in section 6.84 of the Commission’s [Guideline on the First Conduct Rule](#).

Photo captions:

Photo 1:



(From left) Mr. Rasul Butt, Chief Executive Officer of the Competition Commission, and Mr. Patrick Kwok, Executive Director (Operations) of the Competition Commission.

Photo 2:



A poster from the resale price maintenance educational campaign featuring actor Philip Keung Ho-man.



Photo 3:



Photo of a micro-movie featuring actor Peter Chan Charm-man and YouTuber Miss Hunny.