

## Hong Kong Competition Law Series: Part 5

2015 - THE YEAR OF COMPETITION IN HONG KONG

### Cardinal Sin No. 3 – Market Sharing

Last week we looked at the Cardinal Sin of output limitation. This week we discuss Cardinal Sin No. 3 – market sharing.

#### Market Sharing

**Market sharing** refers to agreements between competitors that **allocate sales, territories, customers or markets** for the production or supply of goods or services.

#### WHY MARKET SHARE?

To insulate businesses from competition in their agreed “slice of the market” and, in doing so, maintain profitability and market share.

#### WHAT IS A MARKET?

A market may be a sales territory, a market for goods, or customers. There may be a number of ways to carve up a market; here are some examples:



#### PRODUCT

By type  
By value

#### CUSTOMER

By locale  
By income

#### GEOGRAPHY

By point of sale  
By mode of sale (on- or offline)



#### WHAT DOES SHARING MEAN?

Sharing essentially means competitors agree not to encroach upon each other’s assigned or allocated slice of the market.

It could also include an agreement to maintain the *status quo* with respect to each others’ market shares, such as by agreeing:

- Not to transact with each others’ customers;
- To encourage customers to stay with their existing supplier or seller; or
- To compensate each other for any customer-driven changes in market share.

#### Next Week

Next week we will take a look at Cardinal Sin No.4, bid rigging.

## Contact Us



**Hannah Ha**  
Partner  
+852 2843 4378  
hannah.ha@mayerbrownjism.com



**John Hickin**  
Partner  
+852 2843 2576  
john.hickin@mayerbrownjism.com

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