



## Retailer-Supplier Relationship in Hong Kong: Asymmetry, Power Play, and Supply Chain Management

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### Abstract

This study investigates the characteristics of retailer-supplier relationship in Hong Kong, identify problems in it, and suggest ways to remedy them. We will demonstrate that Hong Kong's retail industry was and is dominated by small and medium sized retailers. However, small retailers in Hong Kong have not sufficiently adopted new retail technologies to manage their supply chains. This situation is undermining the efficiency of Hong Kong's retail industry. We recommend information systems providers, the management of small retailers, and suppliers to take steps to improve supply chain efficiency for small retailers. Information systems providers can help through designing affordable implementation and common modules. Suppliers in Hong Kong can actively build network, cultivate trust, and equip themselves with advanced information systems. Small and medium sized retailers in Hong Kong need to invest sufficient resources to implement retail information systems.

**Keywords:** Retailer-supplier relationship, Supply chain management, Retailing, SME, Hong Kong retailing, Retail information system

### 1. Introduction

The relationship between suppliers and retailers is an important topic because it greatly affects the retail industry and the distribution of goods to consumers. Supplier and retailer relationship is no longer based merely on terms of services and prices — the cost of merchandise is no longer the dominant competitive focus in the retail supply market. Suppliers are presently expected to assist retailers to sell faster, to reduce inventories on hand, and to serve their retail customer more adequately. Retailers and suppliers need to cooperate closely and obtain accurate business information in order to improve the profitability of retail operations.

What is the present state of supplier-retailer relationship in Hong Kong? Does it completely follow the general trends in developed Western economies? What kinds of locally specific problem it faces if it is different? Answers to these questions will be crucial for updating and further developing the retailing industry in Hong Kong. We will explore these questions in this paper. We will demonstrate that supplier-retailer relationship in Hong Kong is quite similar to that in Western contexts, but also display a major difference: the prevalence of small and medium-sized retail enterprises (SMEs) (Note 1). We investigate the extent to which small retailers dominate in Hong Kong through analyzing relevant statistical data. Because of this important difference, many of the recent technological advancements that would greatly facilitate the supplier-retailer chain functioning have been adopted exceedingly slowly in Hong Kong. We suggest some practical strategies that would let suppliers and small retailers to work together and benefit from retail technological advancements.

### 2. Retailer-supplier relationship in Hong Kong

#### *2.1 Supply chain management in Hong Kong: adoption of current global practices*

Inventory is a central problem for the retail management. Over-stocking could seriously undermine retailers' profit margin. Moreover, retailers have to deal with inventory at all times in order to deal with dynamic and changing

consumer demands. Since the 1980s, retail inventory management entered a new era with the popularization of automation and computerization in business and the industries. Automation and computerization enable manufacturers and retailers to upgrade their scale of operations. Automation in the distribution channel and supply chain facilitates logistics between suppliers and retailers. Retailers are especially able to benefit from online information and computerized databases that let them efficiently keep track of consumer needs. A more efficient business operation allows retailers to internationalize and expand into overseas markets. One of the main advantages of internationalization is the retailer's ability to enjoy the economies of scale. Many international retailers have set up businesses in Hong Kong since the commencement of retail internationalization in the 1970s.

In the context of automation, computerization, and internationalization, how have Hong Kong retailers been dealing with the inventory management problem? The strategies that Hong Kong retailers adopt are in general not dissimilar to those adopted in the West, but they are not well implemented in Hong Kong because of the local particularities of Hong Kong's retailer-supplier relationship. We will briefly describe these strategies before we elaborate the local particularities and their consequences.

Current solutions to managing retail inventory can be largely categorized under the umbrella concept of supply chain management. Supply chain management is the integration of business process from suppliers that provides products, services, and information to retailers. The objectives are to reduce inventory stock in the chain, to facilitate customer services, and to build competitive advantages for the chain (Zuckerman, 2002). Retailers would hope to manage the supply and distribution of inventory, while suppliers would want to sell more by assisting retailers to manage inventory.

Central to supply chain management is retailers' emphasis on 'quick response' to consumer demands. Retailers would want to respond as quickly as possible to their customers' demands, gain speed in re-ordering their inventory, and accurately project future inventory needs. By having an adequate level of stock at the right time, retailers will have a smaller amount of excess stock. This shall in turn lower the need to mark down the sale price of merchandise in order to reduce inventory stock as well as to free up cash as buying funds. The result will be a higher profit margin. In order to achieve that, structural changes in the supply chain become necessary. For example, just-in-time delivery requires a close and lasting strategic alliance between retailers and suppliers that was unthinkable just a few decades ago. As we will see, large retailers in Hong Kong have successfully forged such cooperative relationship and close alliances with their suppliers.

Another major area of supply chain management is development and implementation of specialized computerized technologies. Electronic data interchange (EDI), for example, improves communication among different system platforms that may be used by different suppliers and retailers. It significantly shortens the lead time of delivery and facilitates alliances between retailers and suppliers (Cooper, Lambert, et al., 1997). Retail automation may be improved through technologies such as point-of-sale (POS) systems. Specialized computer hardware helps retailers to obtain updated information of their businesses so that retailers can promptly react to the market and to communicate with the most appropriate suppliers. The development of Universal Product Code (UPC) or bar coding helps to simplify coordination requirement among suppliers and retailers. Most recently, big retailers are taking further steps to utilize mobile technology — especially wireless technology such as Radio Frequency Identification (RFID) — to facilitate the informational processing. All of these technologies are being adopted in Hong Kong, although in an uneven way among firms in the industry.

## *2.2 The power play between large retailers and suppliers*

Large retailers in the contemporary United States are becoming increasingly powerful as they gain influence in consumer markets. They also gain power over their suppliers because of their volume of purchasing (Wileman, 1997). Similarly, large retailers in Hong Kong purchase such huge quantities from their suppliers that they can overpower their suppliers. The suppliers to the large retailers are compelled to cooperate with these retailers and to develop long-term supplier-retailer relationships. A positive result is that the supply chains in these cases tend to be very well managed through cooperation between large retailers and their suppliers. Like large retailers elsewhere, those in Hong Kong are able to purchase the hardware and software technology needed for supply chain management. EDI, UPC and point-of-sale systems, for example, are commonly adopted by the large retailers in Hong Kong.

The overwhelming power of large retailers over their suppliers in Hong Kong is incurring some costs to the balance of the retailer-supplier relationship. Apart from compelling suppliers to maintain long-term and close alliances with large retailers, the power of large retailers forces suppliers to concede to very unfavorable business terms. For example, large supermarket chains in Hong Kong have been enjoying very favorable payment terms. They set up long payment periods of over 180 days of payments delay time. Large department stores in Hong Kong are also enjoying payment period of 90 days from suppliers. These large retailers obtain cash flow advantage from their retail customers, and do not need to pay their suppliers' invoice billing until a few months later. Another manifestation of large retailers' overwhelming power in the retailer-supplier relationship is that suppliers to large retailers have to pay additional listing fees to place their merchandise on shelves and additional promotional money in order to gain better visual display inside shops.

Some suppliers are willing to pay the fees because they wish to display their merchandise in a better location inside shops to gain advantage over their competitors' products.

The extremely high rental rates of retail space in Hong Kong give another opportunity for large retailers to take advantage of their small suppliers. Large retailers presently carve up their floor space and rent it out as a 'shop in shop' atmosphere. Some department stores do not purchase merchandises and in its place make consignment arrangements with suppliers. They rent out their shop floor space to suppliers. In return retailers and suppliers split the sales revenue or retailers get commissions from sales. Under these arrangements, the retailers would not have their capital resources held up by merchandise, thereby avoiding problems of slow moving merchandise and aging stock. In other words, they are shifting the merchandising preparation role to their suppliers.

Whereas large retailers in Hong Kong unbalance the retailer-supplier relationship by overpowering their suppliers, small retailers in Hong Kong generally experience an unbalanced retailer-supplier relationship because of the limited size of their buying volume. Their position in the retailer-supplier relationship is unfavorable, especially compared against the backdrop of suppliers' treatment of large retailers. Small retailers in Hong Kong do not enjoy any of these benefits. For instance, they either pay on cash on delivery or pay on a very short lead-time of payment due day. Small retailers have to punctually pay their invoices to their suppliers in order to maintain workable supplier-retailer relationships. Moreover, many small and medium sized retailers do not invest in the updated retail technologies. Without the necessary hardware, software, expertise, and human capital, small retailers are not capable of managing the supply chain even if their suppliers are willing to cooperate with them in managing it.

### **3. The important role of small retailers in Hong Kong's retail structure**

If Hong Kong's retail industry were primarily constituted by the powerful large operators described in the previous section, supply chain management would have been quite adequate even though asymmetric retailer-supplier relationships would still be an issue. But Hong Kong's retail industry remains to be dominated by small and medium sized operators. We will not be able to elaborate the complex historical and economic factors that brought about their dominance in this study, but we will illustrate how dominant small retailers are in Hong Kong's retail industry (Note 2).

We utilize data on the relative proportion of retail establishments of different sizes to illustrate how important small retailers are in Hong Kong (Note 3). Table 1 shows that small retailers account for over 99% of all retail establishments in Hong Kong since data was available (ie. from 1982 to 2006). The proportion is even larger if we add medium sized retailers to this count; they composed between 0.19% to 0.49% of total retail establishments between 1982 and 2006. The number of small and medium sized retailers certainly tends to be large in comparison with that of large retailers simply because each individual small retailer is so small in size. The structure of Hong Kong's retail industry is not entirely reflected through data on the number of retail establishments. However, the extremely high ratio of small retailers compared to large ones is still noteworthy, especially when other indicators to be discussed below corroborates with the picture suggested by this ratio.

We have organized the data on the number of persons engaged in different sizes of retail establishments in Table 2 (Note 4). Between 1982 and 2006, the ratio of persons engaged by small retailers to the total number of persons engaged in the retail industry has been decreasing. But it still reached 54% in 2006. These employment figures are another indication that small and medium sized retailers are rivaling large ones in the industry.

Not only do small and medium sized retailers hire more workers than large ones, they even buy more merchandise from suppliers in total. Merchandise purchase volume should be an accurate indicator of the relative importance of different retailers. We have organized the data on the purchase volume of retailers of different sizes in Table 3. The interval data (data are not available in certain years) in Table 3 demonstrate that small retailers have collectively bought more from suppliers than large retailers between 1982 and 2006 (Note 5). Even though the percentages of purchase made by small retailers have been steadily decreasing since 1997, they still purchased 38% of the goods for sale in 2006 while large retailers only bought 34% of them.

Based on the above statistics, we conclude that small retailers play an important role in Hong Kong's retail industry, a role that is at least as important as large retailers. The statistics on merchandize purchase volume of small retailers especially suggest that SME retailers should not be relegated to a secondary role in their retailer-supplier relationship, though they are forced into an inferior bargaining position by their small sizes at present. The well-being of small retailers significantly affects the vitality of the retail industry in Hong Kong.

### **4. How to improve retailer-supplier relationship and supply chain management for small Retailers**

Given the importance of small and medium sized retailers and the current weaknesses in their supply chain, we see an urgent need for formulating solutions to develop retailer-supplier relationship and improve supply chain management for small retailers in Hong Kong. Small retailers, suppliers, information systems providers, the government, and relevant non-profit organizations have different roles to play in providing solutions.

#### *4.1 Information systems providers: catering to small retailers' demand for retail information systems*

Information is a strategic resource to retailers and command of updated retail information is a key to supply chain management. With updated information, retailers can make sound decisions in running their retail business and purchasing merchandise from suppliers to meet current demands of their customers. The maintenance of just-in-time delivery systems and effective inventory minimization also depend heavily on availability of updated open to buy information. The important benefits of retail information technology have been proven by the experience of large retailers in global retailing. Small retailers should also be able to benefit from the application of retail information system.

Retailers who wish to command updated retail operation information have to invest in communication systems and data management systems. The operation of these systems requires hardware, software, and expertise. In the current marketplace, retailers either develop information systems by themselves or purchase it in the form of a product from systems providers. Both alternatives require a significant amount of money and time.

The absolute majority of small retailers in Hong Kong have not invested the required time and resources on informational technologies. Catering to the informational needs of small retailers represents a good market opportunity for systems providers. We recommend systems providers to develop affordable implementations of retail information system. A possible direction to develop is the making use of affordable ways to transfer data between supplier and retailer via the internet. We also suggest systems providers to create common modules that cater to the common needs of small retailers in the Hong Kong marketplace. Common modules would drastically lower the overhead of small retailers on information systems. A senior person in the information system software provider industry concurs with our view of this business potential in provide for small retailers:

The adoption of retail information system and payment technology is important to facilitate the retail trade. [...] If we can provide a reliable, low cost retail information system solution to small medium sized retailers, it will not only enhance the retail practice in Hong Kong but also provide a business opportunity for systems providers.

#### *4.2 Small retailers: towards more adequate implementation and utilization of retail information systems*

The majority of retailers in Hong Kong are keen to enhance their electronic payment systems, such as the adoption of point-of-sale systems. But most small retailers are not enthusiastic about going beyond that and to actively implement and utilize contemporary retail technologies. For instance, whereas all large retailers in Hong Kong implement EDI and UPC, small retailers do not do so. Another example is point-of-sale registers and computerized scanning systems, which are already very common in global retailing and yet the majority of small retailers in Hong Kong still have not adopted them. Retail information is much more than what point-of-sale system alone can provide. And information system is more than a mere point-of-sale system at the shop front. Retail information system is an interacting organization of people, machines, and methods designed to produce a continuous flow of information for retailers' problem-solving and decision-making (Laudon and Laudon, 1997).

An information system is not one thing, but a group of things that work together. These things are called components of the systems, and they include equipment or hardware, software, data stored in the system, people to operate the system, and procedures for the people to follow (Nickerson, 1998).

SME retailers in Hong Kong need to conceptualize information flow in a more adequate way in order to build and manage them.

SME retailers should not stop even after they implement an adequate retail information system. Active and creative utilization of available retail operation data is needed for them to fully benefit from their information systems. For example, retailers have the option of developing customer relationship management and loyalty programs. These programs would result in loyal customers in the long run. Another possibility is to capture more data from front shop and back office operations in order to provide a better basis of decision-making.

#### *4.3 Suppliers: proactive adoption of retail technologies and networking with small retailers*

Given that a large share of the purchasing power lies in the sector of small retailers, suppliers should actively develop business networks with them. One of the components of developing business networks is the building of trust. Trust between retailers and suppliers are important because it facilitates sustained relationship and long term cooperation.

If retailers adopt new retail technologies to managing their business, suppliers also need to adopt the corresponding technologies to match with the retailers they service. Under such circumstances, suppliers who are willing to invest time and money into this kind of systematic cooperation will have competitive advantage over those that do not.

#### *4.4 The supportive role of the government and relevant non-profit organizations*

Given the importance the retailing industry to Hong Kong, the dominance of SMEs in the retailing industry, and current weaknesses of Hong Kong small retailers, the Hong Kong Special Administrative Region (HKSAR) government should

devote more resources to help SMEs. Although the Hong Kong government refrains from direct intervention of the market, there are numerous indirect ways in which it can help.

While the government cannot directly sponsor any individual company, but it can do so indirectly through the funding projects of Hong Kong Productivity Council and other non-profit making associations. A number of useful projects have been funded and carried out. In recent years, the government has set up a 'Support and Consultation Center for SME' and funding schemes for SME such as 'SME loan guarantee scheme', 'SME export marketing fund', 'SME training fund', and 'SME development fund.' Other institutions such as GS1 Hong Kong is the organization in Hong Kong authorized to issue e-ID by a barcode format that facilitates efficient collaborative e-commerce and e-supply chain services. Its mission is to promote efficient trade practices through supporting global supply chain standards and technologies. Another non-profit making institution is the Hong Kong Retail Technology and Industry Association, which aim to facilitate better adoption of retail technology by Hong Kong retailers.

## 5. Conclusion

In examining the characteristics of retailer-supplier relationship in Hong Kong, we have found that large retailers in Hong Kong are already adopting globally recognized retail technologies to manage their supply chains and maintain stable retail-supplier relationships. However, we also find that Hong Kong's retail industry is dominated by small retailers, and that many small retailers have not embraced retail technologies to manage their supply chains. Information systems providers, the management of small retailers, and suppliers are encouraged to take steps to improve supply chain efficiency for small retailers. Information systems providers in Hong Kong can help through designing affordable implementation and common modules. Suppliers in Hong Kong can help by actively building networks and equipping themselves with useful information systems. Small and medium retailers in Hong Kong have to invest in the required resources to fully understand and implement retail information systems. The government in Hong Kong may contribute to playing a supportive role through non-profit organization and programs that target SMEs and retail technology. For future research on supply-retailer relationship in Hong Kong, an important topic would be how to make their supply chains more conducive to successful cross-border management. Many Hong Kong retailers including small and medium ones are setting up operations in mainland China and overseas, and they will face problems in addition to ones that we focused on in this study.

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## Notes

Note 1. According to one of the European Commission's definitions, SMEs (small and medium-sized enterprises) are identified in the following way: "micro-enterprises are enterprises with less than 10 employees; small enterprises are those with less than 50 employees; and medium-sized enterprise are those with less than 250 employees" (The European Commission, 2009).

Note 2. The definition of SMEs in Hong Kong is made by the Trade and Industry Department, is that 'manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as small enterprises and medium enterprises.' In contrast to the European Commission's definition, the maximum cut off point for medium-sized enterprises is not 250 employees but 100. That is why in our tables on retail establishments in Hong Kong between 1982 and 2006, we categorize retail firms by four groups: 1-49 employees, 50-199, 200-500, and 500 and above. There is no grouping in the original government statistic with reference to the 250 employee cut off point.

Note 3. The definition of 'retail establishments' by the Census and Statistics Department in Hong Kong:

An establishment is defined as an economic unit, which engages under a single ownership or control, in one or predominantly one kind of economic activity, at a single physical location. Where separate figures relating to different

activities or different locations under the same management are not available, a combined return is accepted for data collection purposes and in this case, the reporting unit is treated as an establishment” (Census and Statistics Department, 2002).

Note 4. Definition of number of persons engaged: the number of persons engaged = number of working proprietors, active partners, and unpaid family workers + number of employees (Census and Statistics Department, 2004).

Note 5. ‘Purchases of goods for sale’ refers to the total value of purchases of goods for sale in the retailing industry (Census and Statistics Department, 2004).

Table 1. Number of retail establishments by number of persons engaged in Hong Kong, 1982-2006

Year	Number of persons engaged								Total
	1-49		50-199		200-499		500 and over		
	Number of Retail Establishments								
	Number of est.	%age of total	Number of est.	%age of total	Number of est.	%age of total	Number of est.	%age of total	
1982	43,113	99.65	109	0.25	34	0.08	9	0.02	43,265
1983	45,520	99.63	123	0.27	34	0.07	10	0.02	45,687
1984	49,330	99.64	135	0.27	30	0.06	13	0.03	49,508
1985	47,483	99.71	90	0.19	34	0.07	13	0.03	47,620
1986	51,171	99.61	155	0.30	30	0.06	13	0.03	51,369
1987	50,749	99.62	140	0.27	37	0.07	17	0.03	50,943
1988	51,010	99.57	158	0.31	46	0.09	18	0.04	51,232
1989	50,881	99.56	149	0.29	54	0.11	20	0.04	51,104
1990	53,626	99.59	143	0.27	51	0.09	25	0.05	53,845
1991	55,295	99.59	157	0.28	44	0.08	29	0.05	55,525
1992	60,418	99.53	202	0.33	57	0.09	28	0.05	60,705
1993	57,232	99.50	215	0.37	47	0.08	27	0.05	57,521
1994	58,118	99.58	171	0.29	41	0.07	33	0.06	58,363
1995	55,627	99.52	189	0.34	50	0.09	28	0.05	55,894
1996	56,175	99.43	242	0.43	48	0.08	34	0.06	56,499
1997	53,212	99.46	203	0.38	54	0.10	34	0.06	53,503
1998	48,997	99.42	216	0.44	43	0.09	25	0.05	49,281
1999	47,617	99.53	154	0.32	41	0.09	28	0.06	47,840
2000	48,923	99.49	177	0.36	44	0.09	29	0.06	49,173
2001	49,427	99.49	180	0.36	45	0.09	27	0.05	49,679
2002	48,809	99.50	168	0.34	49	0.10	28	0.06	49,054
2003	47,127	99.50	164	0.35	46	0.10	27	0.06	47,364
2004	46,048	99.43	179	0.39	50	0.11	32	0.07	46,310
2005	46,415	99.33	230	0.49	49	0.10	35	0.07	46,729
2006	46,916	99.34	213	0.45	62	0.13	36	0.08	47,228

Source: Census and Statistics Department. (1984 to 2008). *Hong Kong Annual Digest of Statistics*.

Table 2. Number of persons engaged in the retail industry by firm size in Hong Kong, 1982-2006

Year	Number of persons engaged								
	1-49		50-199		200-499		500 and over		Total
	Number	%age of total	Number	%age of total	Number	%age of total	Number	%age of total	
1982	130,350	81.49	10,377	6.49	10,508	6.57	8,732	5.46	159,967
1983	125,938	79.07	12,091	7.59	10,706	6.72	10,531	6.61	159,266
1984	128,706	78.48	12,720	7.76	9,204	5.61	13,378	8.16	164,008
1985	130,862	77.66	12,978	7.70	9,898	5.87	14,758	8.76	168,496
1986	135,196	77.72	14,191	8.16	8,938	5.14	15,618	8.98	173,943
1987	136,526	76.38	13,187	7.38	10,944	6.12	18,087	10.12	178,744
1988	140,814	74.06	14,430	7.59	13,408	7.05	21,494	11.30	190,146
1989	137,921	71.70	13,481	7.01	16,814	8.74	24,143	12.55	192,359
1990	138,071	70.91	12,910	6.63	15,939	8.19	27,803	14.28	194,723
1991	153,873	71.94	14,464	6.76	13,478	6.30	32,090	15.00	213,905
1992	161,703	71.21	16,359	7.20	18,194	8.01	30,816	13.57	227,072
1993	160,844	71.13	19,230	8.50	15,207	6.72	30,852	13.64	226,133
1994	171,796	72.61	16,366	6.92	12,802	5.41	35,643	15.06	236,607
1995	157,234	69.99	18,527	8.25	14,747	6.56	34,142	15.20	224,650
1996	159,657	68.53	20,615	8.85	14,586	6.26	38,120	16.36	232,978
1997	170,505	69.81	17,836	7.30	16,456	6.74	39,459	16.15	244,256
1998	136,170	67.99	19,858	9.91	13,826	6.90	30,435	15.20	200,289
1999	129,537	68.77	14,711	7.81	11,871	6.30	32,251	17.12	188,370
2000	126,608	65.34	17,404	8.98	13,494	6.96	36,257	18.71	193,763
2001	123,606	63.43	17,743	9.10	13,849	7.11	39,673	20.36	194,871
2002	117,116	61.70	17,398	9.17	14,669	7.73	40,629	21.40	189,812
2003	110,117	60.22	15,858	8.67	13,888	7.60	42,993	23.51	182,856
2004	108,041	57.27	17,456	9.25	15,190	8.05	47,948	25.42	188,636
2005	108,150	54.43	22,843	11.50	14,855	7.48	52,853	26.60	198,700
2006	110,475	54.08	21,535	10.54	19,116	9.36	53,173	26.03	204,298

Source: Census and Statistics Department. (1984-2008). *Hong Kong Annual Digest of Statistics*.

Table 3. Purchases of goods for sale by different sizes of retail enterprises in Hong Kong, 1982-2006

Year	Number of people engaged								Total
	1-49	%	50-199	%	200-499	%	500 & over	%	
	Purchases of goods for sale								
	HK\$ million		HK\$ million		HK\$ million		HK\$ million		HK\$ million
1982	33,415	76	3,576	8	3,668	8	3,455	8	44,114
1987	50,588	62	9,101	11	10,073	12	11,508	14	81,270
1992	98,501	60	18,095	11	14,370	9	34,465	21	165,431
1997	111,118	56	20,071	10	18,713	10	46,781	24	196,683
1999	77,727	55	17,840	13	9,629	7	37,340	26	142,536
2000	75,988	52	19,324	13	NA	NA	NA	NA	146,612
2001	71,198	51	NA	NA	10,500	8	NA	NA	138,883
2002	62,593	47	19,457	15	10,947	8	40,959	31	133,956
2003	61,132	46	17,354	13	NA	NA	NA	NA	131,722
2004	58,759	41	21,605	15	14,852	10	49,513	34	144,731
2005	65,045	41	25,033	16	14,943	9	53,234	34	158,255
2006	64,483	38	25,206	15	20,100	12	57,786	34	167,566

Source: Census and Statistics Department. (1984-2008). *Hong Kong Annual Digest of Statistics*.